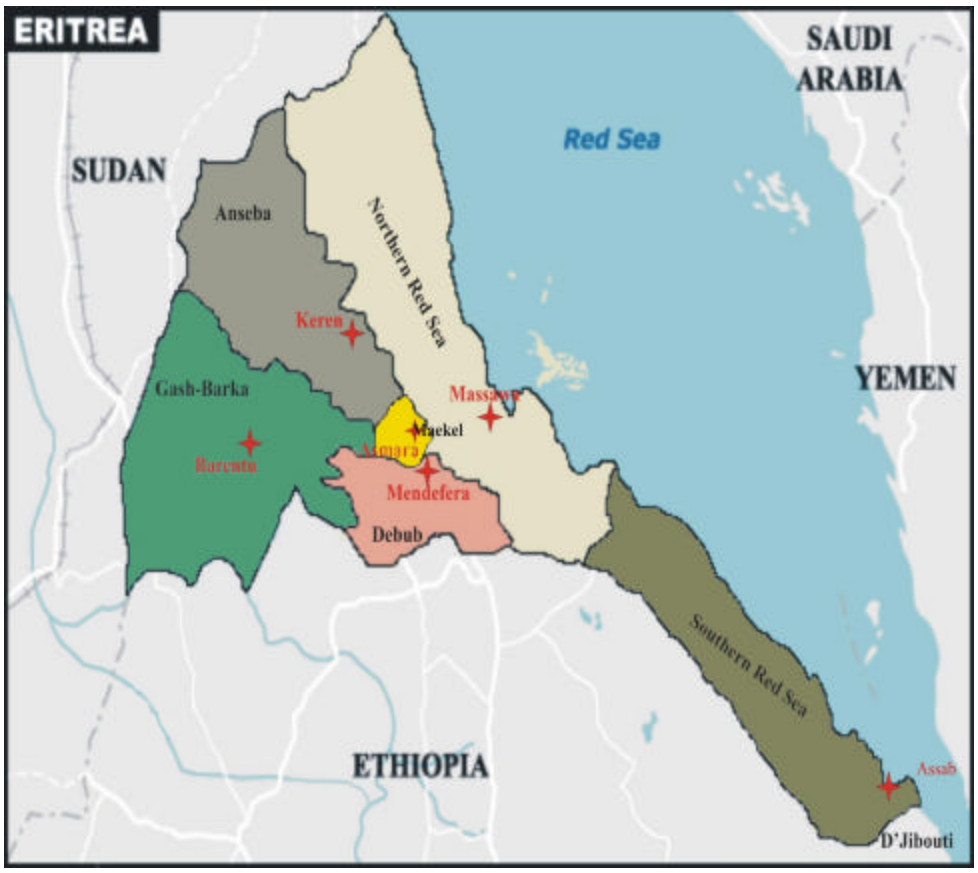
U.S. Agency for International Development
Asmara, Eritrea

Integrated Strategic Plan

FY 2003 - FY 2007



IMPROVING THE LIVES OF THE ERITREAN PEOPLE BY INCREASING THE USE OF HEALTH SERVICES AND ENHANCING PARTICIPATION IN GROWTH AND DEVELOPMENT

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ACRONYMS

BCC	Behavior Change Communication
BCG	Bacillus Calmette-Guerin
BDS	Business Development Services
CBO	Community Based Organization
CSCA	Community-based Savings and Credit Association
CSP	Country Strategic Plan
CSW	Commercial Sex Workers
DA	Development Assistance funds
DCHA	Democracy, Conflict and Humanitarian Assistance Bureau (USAID)
DCOF	Displaced Children and Orphan Fund
DHS	Demographic and Health Survey
DOD	Department of Defense (U.S.)
DOS	Department of State (U.S.)
DPT	Diphtheria, Pertussis, and Tetanus (vaccination)
EDDI	Education for Development and Democracy Initiative
EDF	Eritrean Defense Force
EEBC	Eritrea-Ethiopia Boundary Commission
EGAT	Economic Growth, Agriculture and Trade Bureau (USAID)
ESMG	Social Marketing Group
EU	European Union
FFP	Office of Food for Peace (USAID)
FGC	Female Genital Cutting
FSSP	Food Security Strategy Paper
GDP	Gross Domestic Product
GFFE	Global Food for Education
GH	Global Health Bureau (USAID)
GIS	Geographic Information System
GSE	Government of the State of Eritrea
HAMSET	HIV/AIDS, Malaria, STIs, and Tuberculosis Project (World Bank)
HMIS	Health Management Information System
ICT	Information and Communication Technology
IEC	Information Education and Communication
IGA	Income-generating Activities
IMCI	Integrated Management of Childhood Illness
I-PRSP	Interim Poverty Reduction Strategy Paper
IQC	Indefinite Quantity Contract
IR	Intermediate Result
ITNs	Insecticide-treated Nets
KAP	Knowledge, Attitudes and Practices
MOH	Ministry of Health
NCDRP	National Commission for the Demobilization and Reintegration Program
NGO	Non-Governmental Organizations
OCAT	Organizational Capacity Assessment Tool
OE	Operating Expense
OEC	Obstetric Emergency Care
OFDA	Office of Foreign Disaster Assistance (USAID)
ORT	Oral Rehydration Therapy
PAO	Public Affairs Office (U.S. Dept. of State)

PFDJ	People's Front for Democracy and Justice
PMP	Performance Monitoring Plan
PRM	Bureau of Population, Refugees, and Migration (U.S. Dept. of State)
PVO	Private Voluntary Organization
REDSO/ESA	RegionalEconomic Development Services Office for Eastern and Southern Africa
REU	Rural Enterprise Unit
SME	Small and Medium Enterprise
SO	Strategic Objective
STI	Sexually Transmitted Infection
TEGPRS	Transitional Economic Growth and Poverty Reduction Strategy
UN	United Nations
UNDP	United Nations Development Program
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
USDA	U.S. Department of Agriculture
USG	United States Government
VCT	Voluntary Counseling and Testing
WHO	World Health Organization

EXECUTIVE SUMMARY

In March 2002, Washington approved USAID/Eritrea's decision to design an Integrated Strategic Plan (ISP) to meet Eritrea's post-conflict development challenges. USAID/Eritrea staff developed and successfully presented a five-year ISP (2003-2007) in USAID/Washington in December 2002. In April 2003, USAID/Washington issued a cable that granted provisional approval of the ISP and requested that USAID/Eritrea submit a revised version based on guidance that the cable contained. In Summary, USAID/Washington did not approve strategic objective (SO) 5, but extended the current SO 2 for two years with revisions to reflect the Mission's intent of what will be done in the extension period. USAID/Eritrea was requested to make minor revisions to SO 4 based on the technical review meetings in December and to revise SO 6 "in light of changes in program budget availability, particularly DG funds."

In response to USAID/Washington's requests, this revised 2003-2007 ISP consists of a plan for the two-year extension of SO 2 and includes the two revised strategic objectives (Use of priority primary health and HIV/AIDS services increased and practices improved and participation in growth and development enhanced). The goal of this ISP, to improve the lives of the Eritrean people, fits within the Government of the State of Eritrea's (GSE) goal of self-reliance and long-term vision of building a prosperous, peaceful, democratic and knowledge-based Eritrea. The strategy builds upon lessons-learned from the ongoing Country Strategy Plan (CSP) and takes advantage of new opportunities to involve the people of Eritrea in their development process. The ISP recognizes that Eritrea faces a number of daunting development challenges, including reconstructing infrastructure damaged by war, demobilizing and reintegrating over 200,000 soldiers and displaced populations into a limited economy, restoring macro- and microeconomic stability, and re-establishing social services disrupted by war. The ISP also recognizes that Eritrea's institutional and human resources are inadequate to meet these challenges. In addition, it will be some time before policies in the political and economic arena can be fully implemented and the country can return to its pre-war economic growth and prosperity status.

Although the ISP covers a five-year period, a scenario-based plan is introduced within the strategy to enhance flexibility for USAID/Eritrea. This will enable USAID and the GSE to respond more effectively to the changing post-conflict needs of Eritrea. Within the next five years, it is expected that Eritrea will make progress on its economic and political policies and programs and thus will create targets of opportunity for USAID/Eritrea to expand assistance to accelerate Eritrea's political development and economic growth. At the same time, given Eritrea's vulnerability to man-made and natural disasters, it is realistic for USAID/Eritrea to plan for "situations getting worse" and to be positioned to rapidly respond. The scenario-based planning takes into account both risks and growth opportunities. The ISP also notes the U.S. national interest in Eritrea, which focuses on regional security, combating global terrorism, promoting the establishment of a democratic system of government in Eritrea and economic development.

The SOs were selected on the basis of lessons-learned from implementing the current strategy, recommendations made in recent sector analyses and feedback from USAID's partners and counterparts regarding what is most needed in Eritrea. The result is a strategy that USAID/Eritrea believes best responds to Eritrea's postwar situation and lays the foundation for a truly participatory development that begins at the rural level.

Please note that the numbering of the Strategic Objectives follows standard guidance from USAID/Washington.

Strategic Objective 2 - Increased Income of Enterprises, Primarily Rural, with Emphasis on Exports. USAID/Washington approved the extension of Strategic Objective 2 through FY 2005. USAID/Eritrea has made changes to the Intermediate Results (IRs) to reflect the reality of what we are

currently implementing under SO 2, given changes in the direction of the SO as a result of the war and what we intend to accomplish during the extension period.

The three intermediate results under SO 2 are:

- Rural small and medium enterprises (SMEs) developed
- Economic opportunities for vulnerable groups enhanced
- Capacity strengthened in the public and private sectors for rehabilitation and reconstruction

The purposes of SO 2 for the extension period are to increase incomes in rural areas by providing resources, technical and financial, for high-impact agribusiness SMEs and microfinance (MF) activities, and to strengthen the capacity of the public and private sectors for rehabilitation and reconstruction. The assumptions underlying this SO are that people living in rural areas, including the vulnerable, need opportunities, resources, assets, skills, and new technologies to economically improve their lives. SME-support and microfinance are important vehicles for providing these assets to these people, as is working with the public and private sectors to build capacity in key areas. This includes both physical capacity in the provision of irrigation water and livestock feeding/raising techniques and human capacity in dealing with such diverse issues as plant pathology, pests, marketing, and so on. The SO will also devote resources to improving the availability and use of potable water for rural populations and rehabilitating border areas for resettlement purposes.

Key SO indicators include:

- Annual percentage increase in total value of domestic SME sales resulting from USAID interventions
- Annual percentage increase in number of full-time-equivalent SME employees, disaggregated by gender
- Increased number of people in target areas with improved access to adequate safe water supply and/or sanitation that meets sustainability standards, disaggregated into female-headed households and others

Strategic Objective 4 – Use of Priority Primary Health and HIV/AIDS Services Increased and Practices Improved. Four intermediate results are proposed under the strategy. They are:

- Active demand for primary health care expanded
- Quality of priority primary health services improved
- Institutional capacity for resource allocation decisions improved
- Quality and demand for HIV/AIDS prevention services increased.

During the last seven years, dramatic gains in child survival have been achieved in Eritrea. Preliminary results of the 2002 Eritrea Demographic and Health Survey show that infant mortality has dropped from 72 deaths/1000 live births in 1995 to 48/1000 in 2002. Use of related primary health services has shown corresponding improvements; for example, childhood immunization has improved steadily and reached very high coverage rates. Maternal health indicators have improved more slowly: the percentage of deliveries by health professionals increased from 21 percent to 28 percent. Because of the positive results achieved through the current health strategy, the new health SO represents an evolution of that strategy rather than a redesign. Increasing the use of priority primary services will be achieved by expanding active demand for, improving the quality of, and strengthening resource management capacity supporting these services. Active demand generation encompasses not only health communications but also active involvement of Eritreans at each level in supporting and accessing services. Capacity to improve decision-making regarding scarce resource allocations will be strengthened to enhance impact and

sustainability. Therefore, financial management and information systems and skills will be strengthened. HIV/AIDS prevention is the highest priority primary health service. USAID/Eritrea's support will enhance the capacity of the Ministry of Health and other partners including NGOs to plan, implement, monitor and evaluate programs to prevent the spread of the HIV/AIDS epidemic. In addition, the quality of behavior change communication (BCC), voluntary testing and counseling (VCT), and sexually transmitted infections (STI) and other preventive interventions especially for high-risk groups, such as commercial sex workers, military personnel, and youth aged 12-24 will be expanded. The successful condom social marketing program will also be improved.

Key SO results indicators include:

- Percentage of children of 12-23 months old who received DPT-3 by first birthday (by sex)
- Percentage of children 6-59 months old with diarrhea receiving ORT (by sex)
- Percentage of households in target zones owning two or more ITNs
- Percentage of births attended by medically trained personnel
- Contraceptive prevalence rate for in-union women of reproductive age
- Condom use at last sex by commercial sex workers (CSWs)

Strategic Objective 6 – Participation in Growth and Development Enhanced. Three intermediate results are proposed under the strategy. They are:

- Human resource capacity improved
- CBO/local administration partnerships strengthened
- Community access to information enhanced

The purpose of SO6 is to enhance citizen participation in growth and development. The results of the SO will prepare people in the selected project areas and sectors to have the skills and resources necessary to engage more effectively in the country's post-conflict development and growth process. The SO will develop human resource capacity through improving access to basic education, providing vocational training, and improving the University of Asmara's (UoA) academic skill levels and resources for selected departments. The SO will also strengthen partnerships between community based organizations (CBOs) and local government administration to work together for local development identified by the local government with the communities. This SO will also enhance access to information through improved information and communication technologies.

Key SO level indicators include:

- Increase in number of people with improved basic and advanced skills
- Number of community members participating in decision-making processes of local development activities
- Number of people with improved access to information

USAID/Eritrea will develop performance-monitoring plans (PMPs) for these SOs and refine the IR-level indicators by July 2003.

Three cross- cutting themes will be addressed across the proposed portfolio. They are gender, HIV/AIDS, and linking relief and development.

I. COUNTRY OVERVIEW

A. Background

Eritrea, one of Africa's youngest nations, became independent from Ethiopia in 1991 after a thirty-year struggle. About the size of Pennsylvania, Eritrea occupies a strategically important position in the Horn of Africa. It shares borders with Sudan, Ethiopia, Djibouti, and the Red Sea. Although no official population census has been taken recently, the population is estimated to be between 3.2 and 4.3 million people and is composed of nine ethnic groups evenly divided among Orthodox Christians and Muslims, with a small percentage of other religions.

In May 1998, Ethiopia and Eritrea went to war over their 1,000 kilometer-long border. The war ended with the signing of a peace agreement in December 2000. In April 2002, the Eritrea-Ethiopia Boundary Commission (EEBC) announced its decision on the delimitation of the border. The EEBC has begun the process of physical demarcation, which is not expected to be completed until 2004.

Eritrea faces a number of daunting development challenges: meeting immediate needs for emergency humanitarian assistance; reconstructing infrastructure damaged during the war; assisting the nearly one-third of the population that has been displaced to integrate within a limited economy; and demobilizing 200,000 soldiers. Eritrea remains one of the poorest nations in the world. It is ranked 157 out of 173 countries in the United Nations Development Programme (UNDP)'s Human Development Index for 2002. The HIV/AIDS epidemic is at an early stage, but the risk of rapid spread is already high, threatening to overwhelm Eritrea's fledgling institutional capacity.

While Eritrea's economic growth rates were promising from 1993 to 1997, hopes for continued steady growth were dashed with the outbreak of war in 1998. The road to economic recovery has been long, requiring aggressive policy programs and actions on the part of the Government of the State of Eritrea (GSE).

The diversity and multiplicity of ethnic groups creates a unique development environment. In the early years of independence, the diversity of Eritrea's population was a source of some tension. Each of these groups has unique expectations and grievances. To date, conflicts have been avoided due to the commitment of the people to nation-building, a strong sense of national identity, and conscious policies of the GSE to ensure equitable access to education, economic opportunities, and roles in local and national governance.

The country's geographic diversity ranges from the coastal arid plains with nomadic herders, fishermen, and salt workers, to the densely populated, highly cultivated central highlands, to the more thinly populated fertile western lowlands. These three diverse agro-ecological zones present additional challenges because of a lack of infrastructure and limited human and institutional capacity.

B. Development Environment

1. Economic

Eritrea is one of the poorest countries in the world, with an estimated annual Gross Domestic Product (GDP) per capita of about US$180 in 2002. From 1993-1997, a number of GSE

Macro economic policies set the stage for economic growth. These included: reducing tax rates for most taxpayers; broadening the tax base; reducing tariff rates on imports; privatizing public enterprises through open competitive bidding; unifying the exchange rate; broadening the foreign exchange market by licensing foreign exchange bureaus; and successfully introducing the Nakfa as the legal tender. By 1997, macroeconomic performance had steadily improved to where the fiscal deficit (excluding grants) was 12 percent of GDP, tax revenues were 18.5 percent of GDP, and inflation had declined to about 2 percent.

The war and the subsequent diversion of funds for national defense reversed Eritrea's initial growth. The conflict caused an estimated $565 million in property damage and the disruption of agricultural activities in regions that account for nearly 80 percent of crop production. Farming households suffered 62 percent of total monetary losses, non-farming households 17 percent, and other property 21 percent. GDP growth declined to less than 1 percent in 1999, and GDP fell by 8 percent in 2000 because of a 62 percent decline in crop production and the loss of physical capital. Moreover, the two-year conflict displaced more than 1 million people. The relocation and resettlement of these citizens imposed a severe financial burden on the government and on the housing, education, and public service systems of the villages and towns where they temporarily settled.

In 2001, the GSE demonstrated its commitment to restructuring the economy and restoring macroeconomic stability. For example, the GSE repealed the exchange controls in August 2001 that were put in place in July 2000. In addition, the government implemented a comprehensive tax reform package in October 2001, resulting in a more streamlined and efficient tax system, including a substantial lowering of customs duties and other taxes (i.e., computer customs duty was lowered to 10 percent). (As a result of these initial reforms, non-food inflation declined from a peak of 26 percent in November 2000 to 12 percent in June 2001, international reserves have begun to increase, and monetary policy has been supported by a sharp decline in government borrowing from the domestic banking system.) Credit to the private sector increased by 27 percent during the year ending July 2001, providing much-needed financing for reconstruction. However, much remains to be done in the areas of macroeconomic stabilization and development of the private sector for Eritrea to come close to its pre-conflict economic growth level.

2. Political

Following the successful referendum on independence in 1993, a National Assembly, composed entirely of members of the People's Front for Democracy and Justice (PFDJ), was established as a transitional legislature. In June 1993, Eritrea's first President, Isaias Afwerki, was elected by the transitional legislature. The constitution was ratified in May 1997 but it has not entered into effect.

The current National Assembly includes 75 members of the PFDJ and 75 additional popularly elected members. The legislature sets the internal and external policies of the government, regulates implementation of those policies, approves the budget, and elects the president of the country. The president nominates individuals to head the various ministries, authorities, commissions, and offices and the National Assembly ratifies those nominations. The cabinet is the country's executive branch. It is composed of 16 ministers and is chaired by the president. According to the Constitution, the judiciary operates independently of both the legislative and executive bodies, with a court system that extends from the village to the district, provincial, and national levels. Provincial administration devolves to six political administrative zones called

"Zobas": Northern and Southern Red Sea, Anseba, Maekel (Central), Debub (Southern) and Gash Barka.

In September 2001, the government arrested, on what it said were national security grounds, prominent members of the PFDJ who had publicly expressed their objections to certain policies. The government also closed the private media and arrested several journalists. Additional arrests were made, including two Eritrean staff of the U.S. Embassy in Asmara. In January 2002, the National Assembly indefinitely postponed a decision on a draft law allowing for the creation of additional political parties – leaving the PFDJ as the only political organization/movement in the country.

Despite the events of fall 2001, there are some positive trends. The 14th Session of the National Assembly was held from January 29 – February 2, 2002. During the session, the National Assembly ratified the Electoral Law. Under the Law, the National Assembly established an independent Electoral Commission whose mandate is to organize free and fair national elections. The Electoral Commission will decide when to hold the first parliamentary elections. Also during this session, members decided not to consider new laws on political parties and organizations, but reaffirmed their commitment to political pluralism in the future. Regarding the press, the National Assembly appointed a committee that will make the necessary preparations to lift the current ban on the private press. The GSE has expressed an interest in implementing a decentralization program to place more authority and autonomy at the zonal level, where communities would work with local government on local community development programs. This has the potential to open the door to greater community participation in economic and social decision-making processes and for strengthening civil society. In addition, local elections took place in villages in the Debub and Northern Red Sea Zones in June and July 2002 and more elections are planned in 2003.

The GSE is committed to improving the status of women. The constitution and the transitional civil code prohibit discrimination against women and the government generally enforces these provisions. The number of women in positions of influence within the government has steadily grown. Currently, there are three female ministers (Justice, Labor and Human Welfare, and Tourism), and 22 percent of the members of parliament are women. In addition, 16 percent of judges are women.

3. Social and Health

Eritrea faces a number of social challenges. One is recovery from the war, which involves reconstructing damaged infrastructure, assisting displaced people to resume their prewar activities, demobilizing military personnel, restoring social services, and completing social reforms initiated before the war. A second challenge is meeting the humanitarian needs brought on by drought and the accompanying worsened food deficit. A third is promulgating a medium- to long-term development program to reduce poverty and improve the health status of people.

Although the data on poverty are extremely limited, proxy indicators suggest a relatively high level of overall poverty when defined to include income levels as well as access to and utilization of public services. The GSE has initiated the formulation of two planning documents designed to address poverty in Eritrea: the Interim Poverty Reduction Strategy (I-PRSP) and the Food Security Strategy Paper (FSSP). The next steps in the I-PRSP process include a household-level poverty assessment and public discussions with donors and NGOs.

Since independence, one of the most ambitious goals of the GSE has been the development of a new education system. Prior to independence, Eritreans had limited access to education. Adult illiteracy was 75 percent, with a rate of 80 percent for women. Education as a fundamental right of the child is enshrined in the constitution and emphasized in all major policy and planning documents.

Despite the progress made in the last five years, health conditions remain poor. Since 1991, the number of health facilities has increased but the number of trained doctors and nurses has not increased proportionately. In addition, an inadequate supply of clean water contributes to health problems, with only 20.3 percent of the country's total population having access to an adequate and safe water supply. As a result of the shortage of resources and skills to address these problems, communicable diseases, complications during pregnancy, childbirth and the postpartum period, and sexually transmitted diseases, including HIV/AIDS, all contribute to unnecessarily high mortality and morbidity rates. For example, HIV/AIDS rose from the tenth leading cause of inpatient deaths among those aged five-years and above in 1996 to the second leading cause of death in 2000. During the same period, official estimates of prevalence doubled, from 1.5 percent to 3 percent; the rates are even higher for high-risk populations.

C. Donor and GSE Relationship

Eritrea's emphasis on self-reliance has created a unique atmosphere for its international development partners. On the one hand, development agencies view this emphasis with optimism, based on the commitment and honesty that Eritrea has brought to its development partnerships. On the other hand, this emphasis on self-reliance has caused some friction between the GSE and the international development community, when the GSE insists on controlling the use of donor resources in ways that conflict with donor policies or procedures. Relations between the GSE and members of the European Union (EU) were strained in September 2001, when the Italian Ambassador was expelled. (Eritrea insists that he was expelled for interfering in national security affairs.) As the senior representative of the EU, he had informed the GSE that the closure of Eritrea's private media and arrest of critics could jeopardize EU assistance, as per the Cotonou Agreement. As a result of the expulsion, Italy and the EU postponed their commitments regarding balance of payments and other support. More recently, however, GSE-development partner relations have begun to improve with the exchange of ambassadors between Eritrea and Italy and renewed discussions between the GSE and the EU.

A number of development partners are implementing humanitarian and development activities in Eritrea. However, due to the different arrangements that each partner has with the GSE, it is difficult to state the total amount for each of their respective assistance programs. The World Bank and the European Union are Eritrea's primary providers of assistance. The World Bank supports Eritrea in its demobilization and reintegration program, economic recovery, health, human capacity development, and infrastructure development. The EU has provided support for energy and power, roads, and the education sector, and provided food aid. Bilateral partners include: Italy, the United States, the United Kingdom, the Netherlands, France, Germany, China, Japan, among others.

Various United Nations (UN) agencies, under the overall direction of UNDP, manage a diverse portfolio of activities including democratic governance, access to social services, emergency assistance, and economic growth and poverty alleviation. The Office for Coordination of Humanitarian Affairs (OCHA), on behalf of the UN, works closely with the GSE to coordinate humanitarian assistance needs and activities.

The GSE takes the lead role in coordinating donor activities through the Office of International Cooperation, Macro Policy and Economic Coordination, under the Office of the President. Examples of mechanisms used to coordinate donor activities are the I-PRSP and the FSSP.

D. U.S. Foreign Policy Interests

As stated in the FY 2004 Mission Performance Plan, the United States has three key foreign policy interests in Eritrea: maintaining regional stability, combating global terrorism, and promoting the establishment of a democratic system.

Regarding regional stability, the U.S. seeks to ensure that the uneasy peace between Eritrea and Ethiopia becomes a lasting one. This means supporting the peace agreement and the UN Peacekeeping Mission to Ethiopia and Eritrea. This includes cooperation on the implementation of the Boundary Commission decision through the demarcation of the border, the withdrawal of troops, the return of displaced persons, and the settlement of compensation claims, which will be decided by a separate commission. It also means demobilizing most of the army and reintegrating ex-soldiers and displaced civilians into the economy and society. Eritrea is an influential supporter of the Sudanese opposition while maintaining relations with the Khartoum government. The U.S. would like to cooperate with the Eritrean government to promote a peaceful and equitable solution to the long-standing conflict in Sudan.

The second goal of combating global terrorism assumed much greater importance and urgency after September 11, 2001. Eritrea, which also sees itself as a target of terrorism, has expressed strong support for the anti-terrorism effort and willingness to cooperate with the U.S. and other coalition partners.

The third U.S. interest is the establishment of a multi-party democratic system of government. As part of this effort, the U.S. will encourage implementation of the constitution, the strengthening of social institutions, and the rule of law. In addition, the U.S. seeks to promote an independent press and the release of the arrested journalists. U.S. efforts could make a significant difference in helping steer Eritrea back onto the path of genuine democracy and, thereby, strengthen regional stability.

The United States Government (USG) has demonstrated its strong commitment to Eritrea's development and will continue to support humanitarian assistance, and economic and social development, including health.

The USAID/Eritrea 2003-2007 ISP will contribute to broader USG foreign policy interests in a number of ways. First, SO 2 will continue to create economic opportunities for Eritreans, particularly in the lowland regions, where recruitment by extremist groups is a real and growing threat to stability in Eritrea and the region. Second, SO 4 will contribute to improving the health status of the people, which will enable citizens to more effectively participate in the economic and political processes in Eritrea. Third, SO 6 will improve human and institutional capacity and enhance ICT to improve the potential for Eritreans to participate in the growth and development of communities, which will lay the groundwork for improved democracy and governance in Eritrea.

E. U.S. Government Assistance to Date

Since 1992, USAID has provided development and humanitarian assistance to Eritrea, first through a sub-office at USAID/Ethiopia and, in 1993, as an independent USAID/Eritrea. USAID development assistance per year has averaged around $10 million. USAID/Eritrea's 1997-2002 CSP, also known as the "Investment Partnership," concentrated development assistance on achieving three SOs: Increased Use of Sustainable, Integrated Primary Health Care Services; Increased Income of Enterprises, Primarily Rural, with Emphasis on Exports; and Increased Capacity for Accountable Governance at Local and National Levels. However, in 1997, a major redirection of the governance SO was requested by the GSE to focus resources on capacity building. In 2000, the Mission committed substantial resources from SO 2 to the Crisis Modifier to meet immediate postwar reconstruction and rehabilitation needs.

Since 1992, the USAID Office of Foreign Disaster Assistance (OFDA) has provided more than $16,300,000 worth of disaster, humanitarian, and food assistance. In addition, since 1992, the USAID Office of Food for Peace (FFP) has contributed 163,300 metric tons of food commodities valued at $68,400,000.

Other USG agencies are providing assistance in various areas. The U.S. Department of State (DOS) and the U.S. Department of Defense (DOD) Security Assistance Office support Eritrea's demining capability through the provision of equipment, training, and funding. DOD, in collaboration with UN organizations, also supports programs on HIV/AIDS prevention. DOS, Bureau of Population, Refugees and Migration (PRM), provides funding to the U.N. High Commission on Refugees and NGOs to implement refugee resettlement activities. The DOS Public Affairs Office (PAO) provides scholarships and training programs to support the USG's education and democracy goals in Eritrea. The Ambassador's self-help and democracy funds target important interventions to promote community-based development and human rights. Over 1994-2002, the U.S. Department of Agriculture (USDA) contributed 332,800 metric tons of food valued at $69 million.

II. INTEGRATED STRATEGIC PLAN: OVERVIEW

A. Mission Goal

USAID/Eritrea's goal is improving the lives of the Eritrean people by increasing the use of health services and enhancing participation in growth and development. This goal contributes to the long-term vision of the host country and to the broader USG Mission objectives in Eritrea. The areas of focus are endorsed by government and non-government partners as well as donors and the entire USG Mission in Eritrea.

In designing the Integrated Strategic Plan (ISP), several factors were taken into account. USAID/Eritrea has built upon lessons-learned and experiences that led to successful achievements under the current strategy. The host government tenets of economic self-reliance and a healthy nation are maintained and its priorities are taken into account along with targets of opportunity where there is greater scope for working with the private business community, NGOs, and the people of Eritrea. Partnerships with the public and private sector will be sought while implementing the activities under the ISP.

B. Relationship to GSE Goals and Policies

The proposed ISP is compatible with the GSE's goal of becoming self-reliant and its long-term vision of building a prosperous, democratic, knowledge-based Eritrea, as outlined in the GSE's updated and expanded development strategy: *Transitional Economic Growth and Poverty Reduction Strategy 2001-2002 (TEGPRS).* The overriding themes of that paper are to rebuild the economy, restore social services, and complete the economic and political reforms initiated before the border conflict.

The GSE's medium- to long-term objectives, as outlined in the TGPRS are: private sector development; recovery and expansion of exports, raising agriculture productivity, and development of an efficient and sound financial sector. In addition, the TEGPRS stresses the GSE's interest in human capacity development and concern regarding the spread of HIV/AIDS. The GSE is also preparing an I-PRSP and FSSP with input from donors and NGOs.

The ISP supports initiatives that will contribute to the GSE efforts stated above. The ISP also supports the GSE's policy of gender equity and the existing legal framework promoting such equity. There are laws prohibiting restrictions on women's participation in all facets of society and the economy. The ISP supports these policies and laws and will actively support improving the status of women, particularly girls, female-headed households, mothers, women's groups and associations, and women-owned businesses.

C. Rationale for Integrated Strategic Plan

Since the development of the 1997 CSP, Eritrea has been faced with major challenges and constraints, mainly the border conflict with Ethiopia. During that time, USAID/Eritrea staff was evacuated for an extended period, which impacted program implementation. Furthermore, in response to the humanitarian crisis resulting from the border conflict, USAID/Eritrea invoked its crisis modifier to reprogram $17.5 million in Development Assistance (DA) resources to respond to the emergency. The reprogramming of development resources impacted implementation of activities, particularly for the enterprise development and capacity building SOs. Consequently, USAID/Eritrea could not completely achieve its original objectives.

Since the signing of the peace agreement, the GSE has begun post-conflict rehabilitation and reconstruction. Displaced populations are returning to their homes. The Government agreed to a demobilization program with the World Bank to demobilize 200,000 combatants. The first phase of the program, to demobilize 70,000 combatants has begun. With the return to peace and stability, Eritrea's prospects for a resumption of economic growth and development are much improved. However, the country faces a number of development challenges, primarily meeting immediate humanitarian assistance needs, reconstruction of infrastructure, assisting and integrating displaced people within the economy, demobilizing and integrating soldiers, rebuilding the economy and providing adequate social and health services.

A mid-term review of the overall program in June 2001 concluded that the CSP should be extended for two years to September 2004. However, USAID/Eritrea determined that a new strategy was needed, given that the majority of the resources under the CSP were redirected to meeting humanitarian needs, and thus the original planned results could not be achieved in their entirety, and because of Eritrea's post-conflict needs.

USAID/Eritrea utilized three forms of guidance to determine the strategic objectives: lessons-learned from the 1997-2002 CSP; recommendations made in recent sector assessments; and input from partners, GSE counterparts, and U.S. Embassy staff, gathered during a visioning exercise held in March 2002. The strategy was also developed with inputs from USAID/Washington including, AFR/SD, AFR/DP, the AFR/AA, the Economic Growth, Agriculture, and Trade (EGAT) and the Global Health Pillar Bureaus. Site visits took place in the Gash Barka, Anseba, Maekel, Debub, Northern Red Sea, and Southern Red Sea Zones to determine potential geographic foci for each SO.

Where appropriate, USAID/Eritrea will develop public-private partnerships to ensure successful implementation of the ISP. Some partnerships exist including partnerships with international private voluntary organizations (PVOs), such as Africare, CARE and Population Services International, and with various GSE ministries including the Ministry of Health and the Ministry of Transport and Communications. Some of these partnerships are likely to continue and USAID/Eritrea will develop new partnerships across the portfolio to leverage resources and ensure sustainability of activities.

D. Planning Parameters

The parameters cable, shown in Annex A, expresses the formal approval of USAID/Eritrea's ISP concept paper and mandates certain program and resource parameters.

In summary, the parameters cable noted that the ISP should have a five-year duration with the exact period to be established in the course of ISP preparation. It should consist of interventions in three strategic focus areas: (1) economic growth, agriculture, and trade, (2) health and HIV/AIDS, and (3) participation and capacity development. The ISP should, with refinement from additional sector analyses to be carried out prior to ISP preparation, include at least four cross-cutting themes: (1) gender equity, (2) HIV/AIDS, (3) improved citizen participation, and (4) reintegration of demobilized soldiers. USAID/Eritrea was requested to consider whether "participation and capacity development," identified as a strategic focus area, might not be more appropriately addressed as a cross-cutting theme. This suggestion was considered but it was decided, after consultations with counterparts and USAID/Washington staff, that it is appropriate as a stand-alone SO.

USAID/Eritrea was encouraged in the parameters cable to develop the ISP within a scenario-based framework with both optimistic and pessimistic dimensions, identifying opportunities, on the one hand, for expanded USG assistance in democracy and economic growth and, on the other, responses to the needs of a crisis.

According to the parameters cable, the ISP was approved with a planning level of $11 million as a base level and $15 million as high-scenario level. In addition, the ISP should be implemented through a continued staffing level of no fewer than four U.S Direct Hires with support from the USAID regional office in Nairobi, Kenya, and an increased level of U.S. Personal Services Contractors (USPSCs), if needed. The ISP should anticipate straight-lined Operating Expense (OE) resource levels.

The ISP submitted in December 2002 reflected USAID/Washington's guidance outlined in the parameters cable. In April 2003, USAID/Eritrea received a provisional approval cable. The provisional cable, also shown in Annex A, requested revisions to the ISP. In Summary, USAID/Washington requested USAID/Eritrea to remove SO 5 from the ISP for budgetary reasons, with an understanding that the current SO 2 could be extended through FY 2005 with a revised plan for the extension period. The cable also requested the Mission to make minor revisions to SO 4 based on the technical review meetings in December and to revise SO 6 "in light of changes in program budget availability, particularly DG funds." The cable also advised USAID/Eritrea to assume, for planning purposes, a straight lining of the FY 2003 level of $6.24 million for FY 2004 and beyond. However, in the spirit of scenario-based planning, the Mission has included future potential budget needs should the political and economic environment change and funding becomes available.

E. Mission Results Framework and Performance Monitoring

USAID/Eritrea has formulated its 2003 – 2007 ISP within a framework of achievements that are presented graphically on the following page. The ISP includes one old Strategic Objective and two new Strategic Objectives:

- **Increased Income of Enterprises, Primarily Rural, with Emphasis on Export (SO2)**
- **Use of Priority Primary Health and HIV/AIDS Services Increased and Practices Improved (SO4)**
- **Participation in Growth and Development Enhanced (SO6)**

The meaning and content of these strategic objectives, including particular focus on the intermediate results that will lead to their achievement and cross-cutting themes that support them, are described in detail in sections III, IV and V.

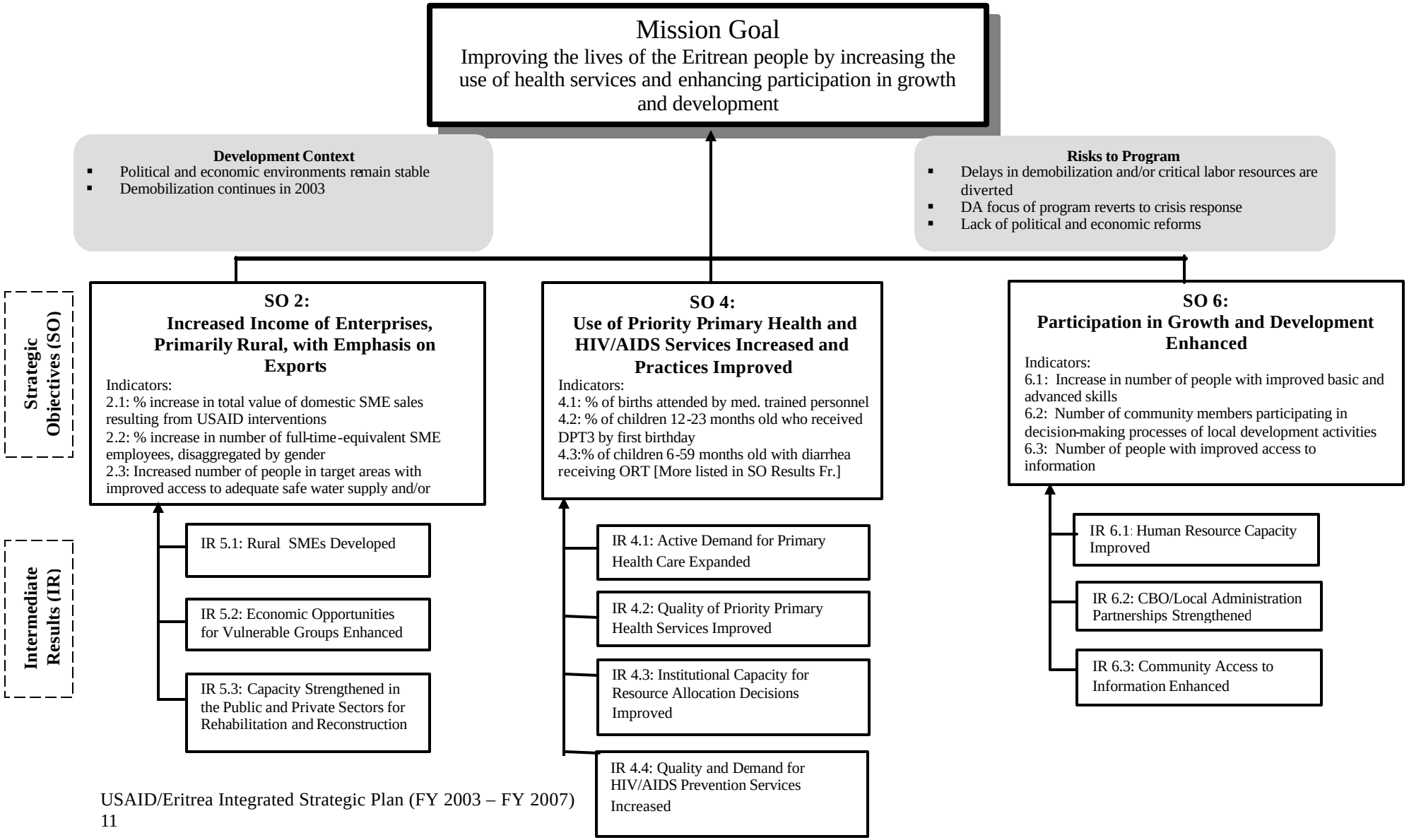
Achievement of the results contained in this Results Framework will be measured, at the SO and Intermediate Result (IR) level, by the USAID/Eritrea SO Teams while activity level performance will be measured by USAID's implementing partners. USAID/Eritrea has developed a gender-sensitive preliminary performance monitoring plan, the details of which are described in the SO sections. The Results Framework and IRs for each SO, including description of their performance indicators and illustrative activities, are shown under the corresponding SO sub-sections. Finally, within each SO section, the methods for gathering performance indicator data are described.

USAID/Eritrea appreciates the importance of including baselines and targets in the strategy itself to declare the level of achievement it is committed to accomplishing. However, baseline data are currently not available for proposed activities under SO 6. USAID/Eritrea will collect baseline data and establish targets during the PMP development process in summer 2003. Baseline data for SO 2 and for SO 4 are presented in the respective sections.

USAID/Eritrea

Integrated Strategic Plan 2003 - 2007

Results Framework



F. Cross-Cutting Themes

USAID/Eritrea has identified three cross-cutting themes that will be addressed across the proposed portfolio.

Gender: GSE laws provide a framework for improving the status of women. However, laws are implemented unevenly because of a lack of capacity in the legal system and ingrained cultural attitudes. In addition, as recent research indicates, domestic violence against women is a significant problem. In 2001, more than 65 percent of women in the Asmara area were reportedly victims of domestic violence. In the context of large-scale reintegration, a time-sensitive issue will be women's access to land, credit, and other critical economic resources. For example, although laws guarantee women's access to land, increased competition for this resource might result in these rights being compromised.

USAID/Eritrea will implement activities across the portfolio to address these needs. Illustrative activities could target increased female participation in training and/or education, access to resources, and development opportunities.

HIV/AIDS: The HIV/AIDS prevalence rate is still low compared to other African countries. However, demographic and social trends, including the reintegration of demobilized soldiers, could dramatically increase that rate unless vigorous preventive efforts are made. USAID/Eritrea will seek to integrate HIV/AIDS-related activities and messages across sectors and will work with the demobilization process to facilitate the development of positive agents for change.

Linking Relief and Development: As Eritrea's vulnerability to natural disaster and man-made crises demonstrates, USAID must be prepared to shift activities between development and emergency relief. For example, as a result of the massive displacement of civilians, USAID/Eritrea dispersed $5 million as emergency loans, rather than grants, to help SMEs impacted by the war. Despite the impact of the war, 80 percent of repayments are on-time. In the same vein, USAID/Eritrea will maximize opportunities for development even in the event of a humanitarian crisis. Under all scenarios described in Annex B, opportunities exist for humanitarian and development resources to be used collectively to ensure synergies between them contribute to overall results. The ISP will also include crisis mitigation or humanitarian response activities that promote sustainability, while focusing on longer-term chronic vulnerability and the overarching complex political and social challenges the country is facing.

G. Scenario-Based Planning

Given political developments in Eritrea and the region, and the country's vulnerability to natural and man-made disasters, USAID/Eritrea has designed a five-year strategy that responds with flexibility to expected challenges in the operating environment. Through scenario-based planning, USAID/Eritrea will respond to negative and positive changes. Three scenarios have been developed that categorize the operating environment as enabling, restrictive (current), or in humanitarian crisis. The restrictive scenario is reflected in the proposed strategy. It is hoped that Eritrea will move toward the enabling scenario, which will allow for more interventions in the economic and political areas. Recognizing the potential for natural and/or man-made crisis, a third scenario (crisis) has been developed to allow for a flexible response.

This proposed scenario-based plan is an outgrowth of USAID/Eritrea's experience and lessons-learned implementing the Crisis Modifier under the CSP. Annex B contains a detailed

description of the three scenarios, the critical assumptions employed in each, triggers that will cause shifts among them, and indicators that will be used to track the need for invoking shifts.

Proposed activities and results to be achieved over the life of the strategy under the current scenario are given in sections III, IV and V. Shifts in activities could range from a change in focus, to a reprioritization of target groups, to shifts in funding between activities, to delays, to a complete shutdown of development activities, to the development of new initiatives and intermediate results responding to new opportunities. In the event of the crisis scenario, the capacity of the GSE and the availability and timing of international emergency humanitarian assistance would determine the magnitude of modification of ongoing/planned activities.

The decision to trigger a change in scenario will be made in consultation with the GSE, the U.S. Country Team, USAID offices (USAID/AFR, DCHA/FFP and DCHA/OFDA), and other involved agencies (e.g., DOS, DOD). As such, any program modifications would also ensure the close collaboration of relevant agencies and resources.

H. Implementation Time Frame

USAID/Eritrea expects USAID/Washington approval of the ISP by June 2003. USAID/Eritrea, with assistance from the Regional Legal Advisor, will then develop new Strategic Objective Agreements to be signed with the GSE. With the aid of the Regional Economic Development Services Office for Eritrea and Southern Africa (REDSO/ESA) Regional Contracting Office, the required documentation will also be developed for the selection and identification of implementing partners. USAID/Eritrea proposes to use Requests for Applications, Annual Program Statements, and Requests for Proposals for selecting partners.

Field support to centrally funded programs will be arranged to provide specialized assistance in FY 2003. Indefinite quantity contracts (IQCs), delivery orders and contracts will also be initiated on an as-needed basis. It is anticipated that the majority of FY 2003 funds will be obligated under the new strategy, with limited funds going to complete activities under the current strategy for smooth transitioning purposes, as per the Automated Directives System (ADS). These transitional activities will be completed by FY 2005 unless they directly contribute to the results of the new SOs, in which case they will be incorporated into the new strategy. Other activities will be terminated upon their respective project agreement completion dates.

Given that baseline data on some new SO activities are not currently available, USAID/Eritrea expects to finalize its PMP by July 2003, after baseline data have been collected. Thus, under the ISP, the earliest that concrete quantifiable results can be expected under the new SOs is the end of FY 2004. An overall assessment of progress will be made by the middle of FY 2006. On the basis of the assessment findings, decisions will be made on whether to modify any of the original strategic objectives or targets in these SOs.

III. STRATEGIC OBJECTIVE 2: Increased Income of Enterprises, Primarily Rural with Emphasis on Exports

A. Development Challenges

Eritrea is one of the poorest countries in the world, with an estimated annual per capita GDP of $180 in 2002. The conflict with Ethiopia worsened an already difficult situation, with as many as one million people being displaced from their homes and farmlands. Eighty percent of Eritrea's population resides in rural areas and, in most cases, is partially dependent on agriculture for income. Thus, the GSE and donors have recognized that the agricultural sector will remain important for economic growth and food security in rural areas. The essential reasons for the poor performance of the agricultural sector include, among others, consistently low levels of rainfall on limited arable land (only 16 percent of the land is arable), limited capacity to expand irrigation, and low levels of human and technological capacity to increase productivity. It is clear that the resources required to address these constraints are beyond the capacity of any single donor and would require long-term interventions and large investments. However, USAID/Eritrea is well positioned to address some of these constraints within its ongoing SO 2: "Increased Income of Enterprises, Primarily Rural, with Emphasis on Exports."

According to a recent USAID/Eritrea-supported sector assessment, several agricultural sub-sectors can provide opportunities for generating employment and income in rural areas. These include higher-value horticultural (fruits and vegetables) crops, oilseeds, cotton, and a range of livestock SMEs, such as fisheries and poultry, dairy, and animal fattening enterprises. Most of these products have assured domestic markets, and in certain cases, can be exported within the region. Women are extensively involved in these subsectors, offering opportunities for their increased participation in the economy. However, there are many gaps that need to be filled before these opportunities can be profitably exploited. These include increasing the private sector's capacity in an array of business management skills; providing timely market information including on quality requirements; facilitating access to improved technologies and investment finance; developing more supportive private sector investment policies; and engaging in more refined data collection on women's participation in agriculture.

Increasing established farmers' and agribusinesses' business and technical capacity to more profitably exploit these subsectors is an option for improving incomes for these actors. However, there remain many vulnerable groups – women-headed households, displaced people, and returnees from exile abroad, among others – who require a different scale of support to give them access to income-generating activities (IGA) that will have a sustainable impact on their livelihoods. One such approach is through microfinance. There is a nascent microfinance movement in Eritrea, which has shown promising results. The expansion and institutional strengthening of organizations providing microfinance can provide more equitable access to IGA, and promote increased involvement of vulnerable groups in the economy. Important lessons-learned from the Mission's earlier experience with microfinance include the need for increased technical assistance to strengthen micro-finance groups' overall management skills, and for development of additional savings and credit products and services.

The April 2003 cable for the ISP did not approve USAID/Eritrea's proposed SO 5, Economic Growth for Rural Areas Accelerated, due to budgetary issues, but extended SO 2 for an additional two years until FY 2005. The Mission is advised to "revise current activities, activities that might have been anticipated under a new SO 5, and funding availabilities (i.e., in AGR and ENV) and develop a plan for an orderly completion of this SO by FY 2005 as part of a revised strategy

document." Accordingly, the version of SO 2 presented here incorporates ongoing activities and lays the framework for new activities to be supported with FY 2003 and FY 2004 funds.

At this point, it is useful to put the situation of this SO into historical context. Implementation under SO 2 began in FY 1997 and over FY 1997-2001 $13.3 million was obligated to it. The program has involved a loan disbursal mechanism for rural SMEs and providing technical assistance to rural producers and funding for the development of rural infrastructure/trade and investment. SO 2 did not meet expectations during any individual year over 1998-2002 with respect to its targets for income, employment, revenue, and exports set under the CSP. This is primarily for reasons beyond the direct control of USAID's program management, as Eritrea saw three years of conflict and evacuations (1998-2000).

A Crisis Modifier was invoked in August 2000, reallocating $6.735 million to activities in response to the crisis. The activation of the Crisis Modifier reduced the budget for the originally designed activities, with the funds redirected toward an emergency loan program to provide much-needed commercial credit to war-damaged SMEs. In addition, the Mission awarded grants to NGOs and UN organizations to support activities in livestock restocking and water rehabilitation. In early 2001, when the Crises Modifier was deactivated, the Mission reviewed its portfolio to assess how best to refocus the program to meet post-conflict needs. It soon became clear that the country was in the throes of a transition period from conflict to peace and that private sector and trade facilitation opportunities were too limited to enable the Mission to achieve its original export promotion and trade facilitation objectives. Moreover, an assessment conducted in late 2002 confirmed that under the Crisis Modifier some excellent results were achieved. In particular, the assessment argued that the Mission should target available funding under its SME loan program to key areas that have a high potential for economic and employment generation and continue to support rehabilitation and reconstruction efforts, given the pressing needs in the water and agricultural sectors.

SO 2 in it extension period will continue the SME loan program, refocusing it in line with the recommendations of the assessment. SO 2 will also encompass a number of modest-sized activities in the microfinance, water/sanitation, livestock, and horticulture areas. Each of these activities have detailed and realistic performance and monitoring plans allowing for significant measurable progress by the end of the life of the SO. It is particularly important to help vulnerable populations, especially women, to learn to save and invest in income-generating activities. This SO will also employ ESF funds to engage in border reconstruction activities once the boundary decision is final.

Much of the SO's activity over FY 2003-2005 will be funded by a large pipeline. In FY 2003, SO 2 will receive EG funds, AGR funds, and a small amount of ENV funds, in addition to ESF for border reconstruction. The cable referred to above instructed the Mission to develop a plan for the orderly completion of SO 2's activities by FY 2005, taking into account "activities that might have been attended under a new SO…and funding availabilities." With this mind, the Mission finds it necessary to make some amendments to the SO 2 Results Framework under the CSP (see below).

B. Purpose and Definition

The purposes of the activities under SO 2 for this two-year period are to promote economic growth in rural areas by providing resources, technical and financial, for high-impact agribusiness SMEs and MF activities, and to strengthen the capacity of the public and private sectors to promote rehabilitation and reconstruction. The assumptions underlying the revised SO are that

people living in rural areas, including the vulnerable, need the opportunities, resources, assets, and the skills in new technologies to economically improve their lives.

SME-support and microfinance are important vehicles for providing these assets to these people, as is working with the public and private sectors to build capacity in key areas. This includes both physical capacity in the provision of irrigation water and livestock feeding/raising techniques and human capacity in dealing with such diverse issues as plant pathology, pests, marketing, and so on. The SO will also devote resources to improving the availability and use of potable water for rural populations. This will be implemented primarily so as to improve the quality of their lives, enabling them to engage in a greater number of and more remunerative income-generating activities.

Facilitating the development of rural-based SMEs (with a focus on selected high-value subsectors), through providing access to financial resources and training for rural entrepreneurs, will increase income, enable greater food security, and improve the living standards of many Eritreans. In its final years, SO 2 will build upon lessons-learned from earlier years. This will occur in particular by expanding the lending program to cover the entire country, rather than just three of the six Zones, and by raising the upper limit on loans. Furthermore, efforts are being made to promote the lending program more aggressively, especially among medium-sized operators who produce eggs, poultry, dairy products, and meat in the areas around selected cities.

In the microfinance area, there has been a successful emphasis on generating savings among vulnerable groups, particularly women. The approach will in the remaining two years of the SO be augmented by making available to those groups various types of loan and grant funds on a much larger scale than previously to support income generating activities. In addition, the provision of business development services (BDS) will be expanded as the number and average size of these activities grow.

SO level indicators for the extension period are: (i) percentage increase in the total value of domestic SME sales resulting from USAID interventions; (ii) percentage increase in the number of full-time-equivalent SME employees, disaggregated by gender; and (iii) increased number of people in target areas with improved access to adequate safe water supply and/or sanitation that meets sustainability standards, disaggregated into female-headed households; and (iv) increased number of villages in the border area with improved infrastructure.

C. Results Framework for SO 2

A graphical presentation of the SO 2 Results Framework is shown on the following page. The three IRs to be achieved under SO 2 are shown along with their performance indicators. Illustrative activities to be carried out under each IR are also shown.

SO 2: Increased Income of Enterprises, Primarily Rural, With Emphasis on Exports
Time Frame: FY 2003—FY 2005

Overall Indicators:

1. Percentage increase in total value of domestic SME sales resulting from USAID interventions
2. Percentage increase in number of full-time-equivalent SME employees, disaggregated by gender
3. Increased number of people in target areas with improved access to adequate safe water supply and/or sanitation that meets sustainability standards, disaggregated into female-headed households and others

Development Context

- Peace holds, economic stability returns, private sector led investment and confidence restored
- Past weather patterns continue, capacity to anticipate and manage crisis strengthened
- Public sector transparency improves, market economy expands

Risks to Program

- Delays in demobilization continue and/or critical labor resources are diverted
- Public sector domination of industry continues, private sector response weak , remittances not restored
- Donor/PVO outreach capacity constrained
- DA focus of program reverts to crisis response & HA

Intermediate Results (IR)

IR 1: Rural SMEs Developed

Indicators:

1.1: Percentage increase in declared profits at SMEs subject to USAID interventions

1.2: Percentage increase in sales of key agricultural commodities in selected Eritrean cities

IR 2: Economic Opportunities for Vulnerable Groups Enhanced

Indicators:

2.1: Volume of savings and credit generated in microfinance schemes (MFS), disaggregated by gender

2.2: No. of and value of income generating activities created through MFIs, disaggregated by gender

IR 3: Capacity Strengthened in the Public and Private Sectors for Rehabilitation and Reconstruction

Indicators:

3.1: Number of community water and sanitation committees established and training in financial management and water supply and sanitation operation and maintenance

3.2: Percentage of participating farmers and herders, disaggregated by gender, adopting improved horticulture (including irrigation) and/or livestock practices

3.3: Number of border objects rehabilitated

Illustrative Activities

- Rural enterprise credit program established
- Rural enterprise direct assistance provided
- BDS facilitated
- Training and technical assistance in marketing, production, and quality of service provided

- Support to microfinance sector expanded and strengthened through provision of new loan and grant products

- Program combining irrigation, market gardens, and nutrition training implemented
- Watsan activities for potable water, drip irrigation, water for livestock, and hygiene awareness implemented
- Technical assistance to public sector on livestock, weeds, poultry, and irrigation provided
- Border rehabilitation projects implemented

SO 2: INCREASED INCOME OF ENTERPRISES, PRIMARILY RURAL, WITH EMPHASIS ON EXPORTS

Performance Indicator	Baseline (2002)	Target (2006)
Percentage increase (y-o-y) in total value of domestic SME sales resulting from USAID interventions	level=900,000 USD	25%
Percentage increase (y-o-y) in number of full-time-equivalent SME employees	level=210 employees	50%
Increased number of people in target areas with improved access to adequate safe water supply	7,225	65,000

D. Intermediate Results

1. IR 1: Rural SMEs Developed

IR 1 will continue the work begun under the CSP of sponsoring activities that aim at increasing income-earning and economic growth opportunities in rural areas through providing support to SMEs. This IR is a continuation of IRS 1, 2, and 3 from the CSP, all of which referred to rural SME development. Its chief goal will be accomplished by continuing to provide loans and direct assistance to leading rural SMEs. There will be a slight change in focus, as more attention is paid to larger enterprises in key subsectors (poultry, horticulture, cattle fattening) in specific geographical areas. After several years of supporting rural SMEs in these areas, by 2005 we expect to see a major market-level impact in certain areas for certain products; hence, a new IR-level indicator has been added to reflect this new emphasis.

As validated by the recent sector assessment, a focus on rural growth opportunities is appropriate, since agriculture and agriculture-related activities provide most of the value-added and off-farm employment in rural areas. The invocation of the Crisis Modifier prevented the full implementation of the Rural Enterprise Investment Partnership. Nonetheless, the credit program established with the Commercial Bank of Eritrea (CBER) validated the potential for lending to rural enterprises. The loans were used to support viable agricultural SMEs by generating value-added in terms of agricultural production for sale in domestic markets.

IR 1 will continue to focus on the development and institutionalization of the Rural Enterprise Unit (REU), the institutional partner with the CBER, as a BDS provider. The BDS provider will implement an array of activities in support of rural entrepreneurs for business development. While this will be facilitated at the beginning through a technical assistance program, the objective remains the development of a sustainable BDS provider for the Eritrean private sector. Indeed, the business plans for all larger loans under the program have been prepared by local BDS providers, so USAID support has spawned a local industry of such providers. Moreover, the REU itself has become a major supplier of BDS to rural enterprises in Eritrea.

Illustrative Activities:

- Continue and strengthen rural enterprise credit programs
- Continue and strengthen BDS service provision and conduct BDS training
- Conduct subsector analyses
- Provide training and technical assistance for marketing, production, and quality of services

Key Indicators (in addition to the aforementioned two SO-level ones):

- Percentage increase (y-o-y) increase in declared profits at SMEs subject to USAID interventions
- Percentage increase (y-o-y) increase in sales of key agricultural commodities in selected Eritrean cities

2. IR 2: Economic Opportunities for Vulnerable Groups Enhanced

IR 2 will focus on increasing income-generating opportunities for vulnerable households through the development of microenterprises and the fostering of women's participation in the economy.

As stated at the end of section A above, the Mission's portfolio has already included such activities, which are well suited to obtaining measurable results during the SO's remaining life. Income generated and managed by poor women will in turn improve household income and enable families to meet food and other family requirements as well as enable further investments in rural enterprises. Rural women and other vulnerable segments of the population lack access to investment finance. The structure and needs of microfinance institutions are quite different from formal banking structures. The provision of financial services to these more vulnerable groups has served as a complement to the formal lending program.

There is a nascent, yet growing, microfinance movement in Eritrea. USAID/Eritrea's support to a U.S. PVO for the implementation of the Community-Based Savings and Credit Association (CSCA) project targeted 660 households through community-managed savings and credit associations. Working with two local NGOs, the project demonstrated that poor households can mobilize their own resources through savings and community-based management in order to make cash available to households at critical times of the year. This allows these households to diversify income sources by engaging in new types of income-generating activities. As with our other enterprise development efforts, the project also offers BDS to women and training in setting up microenterprises, simple accounting, and financial management. This project and other donor-supported microenterprise programs have shown extremely promising results.

IR 2 will build on the success of recently completed CSCA activity by expanding program coverage through making a new grant to a US PVO. The new microfinance activity will augment the product mix of that earlier activity – which focused heavily on collecting and investing the beneficiaries' own resources – by offering small grants to individuals, small grants for community projects, enterprise loan funds, and revolving loan funds in support of IGA. Participating communities will be offered a mix of these instruments depending upon their preferences and capabilities. In addition, the new microfinance activity will provide BDS to an increasing extent as the average size of these income-generating activities grows.

IR 2 will also promote other aspects of household well-being through the use of savings and credit groups as the medium for messages on an array of topics such as nutrition, family planning, and HIV/AIDS prevention. Using the group approach, whereby women from the same community with common health and other concerns receive educational messages, has proven effective in other microenterprise programs. IR 2 will work closely with the USAID/Eritrea's Health, Nutrition, and Family Planning team and the appropriate GSE ministries and NGOs to develop this element of the program.

Illustrative Activities:

- Support to microfinance sector expanded and strengthened through provision of new loan and grant products for vulnerable groups

Key Indicators:

- Volume of savings and credit generated in microfinance schemes, disaggregated by gender
- Number and value of IGA activities created through microfinance schemes, disaggregated by gender

3. IR 3: Capacity Strengthened in the Public and Private Sectors for Rehabilitation and Reconstruction

IR 3 will concentrate on building capacity in the public and private sectors in key areas affecting the ability of rural entrepreneurs and households to carry out income-generating activities and maintain sustainable livelihoods. As stated at the end of section A above, the Mission's portfolio already includes such activities (in areas such as water/sanitation and livestock), which are generally well designed for obtaining measurable results during the SO's remaining life. The Mission's experience in the earlier years of implementing this SO clearly demonstrates the key constraints posed by limited capacity in the areas of water availability (for both irrigation and household consumption), livestock feeding and maintenance, and production practices and marketing methods for horticultural products. These rehabilitation types of activities are particularly needed and important, especially in post-conflict period. Plus, once the border demarcation is finalized, under this SO reconstruction work would be carried out to facilitate resettlement of the people. Given that the SO has just three more years to run, thoughtfully designed work in these areas can bear fruit within a relatively short period of time.

An excellent example of the sort of activity that can yield significant results in a short space of time is the integrated food security project half-way through its implementation by a U.S. PVO. The project involves the establishment of household gardens that produce fresh vegetables for both the households' own consumption and for eventual sales of excess production as a cash crop. Although this activity will yield its main results in only the medium term, the first step at each community is the digging of concrete ring wells, immediately providing access to potable water for thousands of villagers. The well water irrigates small plots in various ways, with the plots used to grow vegetables. USAID/Eritrea has also supported the training of irrigation engineers by USDA. Those engineers are being made available to the communities where the PVO has sponsored market gardens, demonstrating the synergies among the Mission's diverse development activities. Further synergies come from ongoing multiyear projects implemented by U.S. academic institutions in such areas as pest management and legume growing.

Water/sanitation activities are assuming an ever increasing role in the SO's portfolio. The need for such in drought-plagued Eritrea, where relatively few people (both rural and urban) have access to potable water, is clear; for example, only 20.3 percent of the rural population has such access, a figure that is as low as 10 percent in Northern Red Sea Zone. The linkage between water/sanitation activities and the rest of the SO portfolio is that the present very limited access to clean water is a major constraint on rural social and economic development. An obvious manifestation of this is the long distances to water points and the enormous amount of time certain family members (especially females) spend carrying water from those points to their villages. Time spent in such pursuits obviously detracts from that which they might spend on income-generating activities. Moreover, weakened health status from drinking impure water is also a serious break on economic development.

Two new water/sanitation activities to be implemented by U.S. PVOs were launched in May 2003 in Debub and Anseba Zones. These activities build upon the lessons learned from the implementation of a similar activity in Gash Barka Zone that ended in January 2003, namely, that it is not sufficient simply to build physical water infrastructure, such as wells or latrines, in order to improve the lives of the beneficiaries. Projects should focus on capacity-building for local communities, including hygiene and sanitation training. Rehabilitation of water systems in border areas will also be undertaken with ESF funding.

Finally, the Mission is devoting resources to capacity building efforts aimed at improving traditional livestock feeding and raising practices. Two gaps in those practices include (i) the failure to make use of a domestically produced feed source based on halophytes (plants that can be irrigated using sea water); and (ii) the absence of a mechanism to smooth fluctuations in flock sizes due to periodic bouts of drought, as well as of a well functioning institution to deal with sectoral issues, such as for breeding and export promotion.

Illustrative Activities:

- Support two water/sanitation activities: (i) one in Debub Zone involving construction of water supply systems and latrines, and inculcation of micro-irrigation techniques; and (ii) the other in Anseba and Debub Zones aiming to improve potable water supply through infrastructure projects, drip irrigation for vegetable gardens, and water for livestock
- Support an intervention involving the distribution of supplementary feed to sheep and goats, collecting these animals in a central flock, inculcating new and improved feeding techniques for that flock, and using it as the basis for improved breeding techniques and enhanced animal exports
- Sponsor technical assistance through an agreement with USDA to build public sector capacity in water resources/irrigation; natural resources and forestry; agronomic sciences; and animal health
- Provide technical assistance to the private sector on the production and marketing of horticulture products based on a major study of the leading subsectors (e.g., bananas, tomatoes, onions), as well as on other areas of agricultural development, including poultry raising and capacity building for the nascent Eritrean agricultural cooperative movement
- Support selected border reconstruction activities

Key Indicators (in addition to the aforementioned SO-level one):

- Number of community water and sanitation committees established and trained in financial management and water supply and sanitation system operation and maintenance
- Percentage of participating farmers and herders, disaggregated by gender, adopting improved horticulture (including irrigation) and/or livestock practices
- Number of border objects rehabilitated

E. Monitoring SO 2 Achievement

USAID/Eritrea will use a variety of approaches to monitor SO 2 results. USAID/Eritrea will report major program results to USAID/W via the Annual Report and to the U.S. Embassy for inclusion in the Mission Performance Plan. Results data for the IR indicators will form the basis for measuring implementation progress and validating SO 2's strategic assumptions. Frequent visits with GSE counterparts and technical assistance personnel and field trips will be used on a more routine basis to stay informed on the day-to-day program activities. USAID/Eritrea will also monitor key macroeconomic, political, and other relevant data and events that affect program implementation. This will help gauge the implementation environment and development progress.

Technical assistance counterparts, whether contractors or grantees, will be required to prepare detailed annual work plans, which will include implementation benchmarks and activity-level

and, as appropriate, IR-level indicators. The Economic Growth/Food Security Team will discuss and approve these work plans. The contractor/grantees will use these work plans as the basis for preparing quarterly and annual reports. These reports will provide a mechanism for detailed discussions on implementation progress.

F. Instruments

USAID's main partners for the implementation of SO 2 will be the GSE, contractors, grantees, private sector groups, NGOs, and rural communities.

G. Contextual Assumptions

USAID/Eritrea assumes that the present peace will hold and demobilization will take place. Demobilization is important not only in terms of returning critical personnel to institutions in USAID-supported programs, but also to reduce the serious labor constraints faced by many rural and urban enterprises.

Another major assumption is the GSE will allow USAID to use technical assistance as necessary and appropriate to build capacity among participating banks, for business development and marketing services, within targeted subsectors, and for some of the food security management activities as well. Successful establishment of business and agricultural service activities are dependent upon being able to find private sector service providers.

USAID is not able to make major infrastructure investments, such as irrigation works and roads. Nor is it prepared to underwrite the cost of classic agricultural research and extension operations and institution building. Large investments are required to support food security and sustained economic growth, but they are both expensive and long-term investments. Other donors, including the World Bank, Italian government, UNDP, and the African Development Bank are active in these areas.

Climatic conditions in Eritrea are semi-arid. Drought and the vagaries of rainfall are a constant threat to domestic food availability and a major cause of structural food deficit. Given limited irrigation potential and poorly developed dryland farming systems, the structural deficit in domestic food availability will continue for the foreseeable future. The SO's emphasis on higher-value agricultural subsectors, in which entrepreneurs may be able to afford irrigation or in which available irrigation is likely to be used, is intended to provide alternatives to high-risk rainfed agricultural activities.

H. Linkages:

1. Linkages within SO

These three IRs make up a critical package of technical assistance and support for rural economic growth. IR 1 will provide a package of services that support enterprise and high-value crop subsector development. This IR will provide BDS and training to strengthen the capacity of rural entrepreneurs to create and expand rural-based enterprises. It will also provide subsector studies and establish market information sources, which in turn would provide the basis for business plans and feasibility studies of individual enterprises in the sector. These activities will integrate household level producers into the economy and provide additional marketing opportunities. Targeted subsectors will provide food products for the domestic market. The focus on higher-

value products will help households and commercial farms diversify and increase incomes, which in turn will support the further production and purchase of food requirements.

IR 2 complements IR 1 by supporting microenterprise activities among the poorer and more vulnerable populations that otherwise would be unable to engage in credit-based enterprise development activities. IR 2 will use group and savings-based microenterprise interventions to establish enterprises that increase and diversify household income sources. The increased income will alleviate poverty and support household level food security. Microenterprise development also serves as a basis for building a household asset base, which over time, will help maintain household food security in the face of future shocks such as drought or other crises.

IR 3 recognizes that sustained growth of private agricultural production at the SME and micro levels will not occur unless rehabilitation occurs to important water sector objects (for both irrigation and human consumption) and improvements are made to livestock and horticulture practices. Supporting the private sector through IRs 1 and 2 will be insufficient to achieve this SO's intended results in the coming years unless attention is devoted to these issues, many of which reside most naturally within the purview of the public sector.

2. Linkages between SOs and within Mission Strategy

SO 2 will continue in its final years to increase incomes at the household level to improve the economic conditions of rural areas and thus improve people lives. Program beneficiaries will have more resources to spend on health care and education. Improvements in nutrition will continue to be made through increased availability and access to nutritionally enriched conventional food crops. SO 2 activities have always had a strong focus on women. To the extent women are empowered economically through increased income and savings, they will be better prepared to address health, education, and nutritional needs. IR 2, through community-level microenterprise groups, will continue to deliver important life-skills educational messages related to HIV/AIDS, nutrition, malaria, and family planning. This has been a direct complement to USAID/Eritrea's other health and family planning programs.

Activities under SO 2 have contributed directly to the objectives of the new participation SO (SO 6). The BDS activities at the enterprise- and household-level have built the capacity to organize and conduct private sector business activities. SO 2 has been developing the skills and resources of vulnerable populations and helping them to integrate into the market economy. Both enterprise components build capacities in group organization, democratic procedures, and transparency in decision making, which will facilitate the formation of larger associations that could serve as the liaison with the GSE on policy matters.

SO 2 has long had linkages with other SOs and USAID/Eritrea's goals through support of several cross-cutting themes.

Gender: Women are important participants in horticulture and livestock activities, and vast potential exists to improve their livelihoods through support for creating and expanding microenterprise development for IGA. Women are also involved in non-agricultural activities, including petty trade, restaurants and bars, retail shops, sewing, textiles, and consultancy companies.

HIV/AIDS: IR 2 has been utilizing community-based approaches to implement microenterprise development activities. The future microenterprise activity implemented over the final years of

this SO will use community forums to provide men's and women's groups with HIV/AIDS and other health-related educational messages. Also, microenterprise development provides HIV/AIDS-affected households with income to mitigate the loss of their principal income earners to the disease.

Linking Relief and Development: Man-made and natural emergencies, especially recurring and severe drought, are common in Eritrea. USAID/Eritrea has regularly collaborated with FFP and OFDA to respond to the emergencies, often targeting vulnerable groups in rural Eritrea including women and returnees/internally displaced persons/expellees. The specific relief efforts that have been supported from this source include direct feeding and provision of shelter, water, and hygiene.

SO 2 regularly collaborates with OFDA in Washington and Nairobi on that office's diverse portfolio of drought-emergency-related activities in Eritrea. These include at present a United Nations Children's Fund (UNICEF) project to rehabilitate the entire water system of a medium-sized city (Mendefera), an activity implemented by a U.S. PVO to supply seed vouchers and poultry (along with appropriate training) to vulnerable households, and another U.S. PVO activity promoting seed fairs and greater water availability. Future OFDA activities in Eritrea are likely to include livestock feeding and rural water projects. Each of these projects is at the nexus between relief and development, and there are considerable synergies between Mission- and OFDA-funded projects in such areas as water and livestock.

SO 2 also devotes considerable attention to reviewing applications for PL480 Title II projects, as well as facilitating, monitoring, and evaluating those projects once under way, in both the Emergency and Development spheres. With respect to the latter, one U.S. PVO has implemented two large spate irrigation projects based on monetization proceeds. Regarding food security issues, there is a large volume of activity through U.S. PVOs and the World Food Programme. The team implementing SO 2 not only interacts with FFP and the implementers to facilitate their work. It also observes and reports on the implementation of these Emergency activities, enabling it to better target its own development activities on the vulnerable populations.

3. Conformity with Donor and GSE Programs

The GSE strategy is enunciated in the Transitional Economic Growth and Poverty Reduction Strategy 2001-2002. The strategy's immediate objectives focus on emergency interventions, demobilization, and the economic reintegration of former combatants. The medium-term objectives are: a) Private sector development; b) Recovery and expansion of exports; c) Increasing agricultural productivity; and d) Developing an efficient and sound financial sector. It also stresses human capacity building and controlling the spread of HIV/AIDS.

SO 2 will continue to support the first and third of these objectives. It will assist in the creation of new enterprises and the expansion of other enterprises in activities that contribute to economic growth and improved food security. The program will primarily target agricultural subsectors. The work under IR 3 in the irrigation, livestock, and horticultural sectors, among others, will contribute to higher agricultural productivity.

Several other donors are providing assistance in the agricultural sector. The World Bank is financing the Eritrean Community Development Fund, which provides for rural development activities, including a microfinance program. UNDP provides support to decentralization through the Public Sector Management Program, and, in collaboration with the UN Capital Development

Fund (UNCDF), is providing assistance to the fisheries sector. The Food and Agricultural Organization (FAO) is providing institutional support to the Ministry of Agriculture for research and extension. The African Development Bank is financing the National Livestock Development Project, which includes a small-scale production component. The International Fund for Agricultural Development is active in supporting irrigation capacity development. Also, USAID is a member of the multi-donor Food Aid Coordinating Committee.

I. Beneficiaries, Development Impact and Sustainability

The principal beneficiaries under SO 2 are rural entrepreneurs; subsistence farmers, including women; other rural dwellers; local NGOs; and the GSE. Rural entrepreneurs will increase their business activity and earn increased income as a result of training and other capacity building provided by the program. They will benefit from BDS, which will be institutionalized within the private sector. Enterprise expansion in high-value agricultural subsectors will provide increased quantities of quality food products to the domestic market; the new focus on key commodities in selected cities will result in improved availability of these commodities in those localities.

SO 2 will expand NGO involvement in the microenterprise sector. The emphasis will be on community-level women's groups. The program will create increased capacity for these groups to manage their CSCAs and to have access to means of income growth. Based on experience of working together and becoming skilled and gaining confidence through better decision-making and self-governance, these groups will become stronger participants in Eritrea's economic and social development.

IV. STRATEGIC OBJECTIVE 4: Use of Priority Primary Health and HIV/AIDS Services Increased and Practices Improved

A. Development Challenges in the Health Sector

Eritrea's strong commitment to meeting people's health needs is clearly demonstrated by the progress in child survival between 1995 and 2002: infant mortality fell from 72 per 1000 live births in 1995 to 48 in 2002 (Eritrea Demographic and Health Surveys). Under-five mortality was reduced from 136 to 93 during the same period, and there were corresponding improvements in intervention-related indicators. However, improvements have not been even across all health care interventions. At the most positive end of the spectrum, immunization coverage is quite high (detailed below) during a time when coverage has declined in many African countries. Keys to that success have been the focused use of resources, good monitoring and evaluation, and active involvement of partners and stakeholders at every level. On the other hand, use of safe delivery services has improved more slowly, and contraceptive prevalence has not increased. There is no progress in replacing traditional with modern methods, or in meeting even the very low rate of demand. Thus, barriers to utilization need to be better understood including such factors as cultural constraints on demand (especially those that impede women's care seeking), the uneven quality of emergency obstetric care, and uneven deployment of personnel trained to provide these services. Use of other primary health services (other child survival interventions, malaria prevention, reproductive health, etc.) falls in the middle of the progress spectrum, due to intervention-specific demand, quality, and resource management constraints. Further increases in utilization of priority primary health services are needed in order further reduce under-five mortality and to have a significant impact on maternal mortality.

The scarcity of human, material, and financial resources at the Ministry of Health (MoH), and the inability of users to access health care due to poverty, are additional constraints. For example, staffing pattern analysis showed severe shortage of nurses and physicians to staff health facilities and manage health services over the next ten years. The MoH has maintained a steady supply of pharmaceuticals and medical supplies to health care facilities, but this is becoming increasingly dependent on donor funding. User fees are charged at every level of care. These are low, but at least establish a precedent for cost sharing. Given resource constraints, the MoH recognizes the need to build the capacity to better rationalize its scarce resources among different functions and levels of the health system.

The May 1998-December 2000 conflict with Ethiopia caused a serious strain on the financial and human resources needed to meet health needs. Despite this disruption, the Ministry of Health remained a partner to USAID, and continued to implement health interventions throughout the conflict period. Nonetheless, much remains to be done to improve health conditions and the capacity of the Ministry of Health and other partners to deliver and increase the utilization rates of quality primary health services and thus further improve the health status of the people.

1. Current Health Status

The health situation in the country shows many positive trends, with need and scope for further improvement. Preliminary results of the 2002 Demographic and Health Survey (DHS) compared with those of the 1995 DHS clearly show that Eritrea has achieved rapid progress in child survival over the last seven years. The infant mortality rate (IMR) has been reduced from 72 in 1995 to 48 in 2002, and under-five mortality fell from 136 to 93 during the same period. This is an extraordinary accomplishment for a poor nation, especially in the context of sub-Saharan

Africa, where many countries have seen rising mortality rates due to the impact of HIV/AIDS and armed conflict. Nutritional status of children under three years of age has also improved: the percentage of children whose weight for age is below –2 standard deviation (SD) from the mean has decreased from 44 percent in 1995 to 39 percent in 2002. Maternal health proxy indicators are also improving, but more slowly. For example, antenatal care increased from 49 percent in 1995 to 70 percent in 2002.

Based on Ministry of Health statistics, leading causes of under-five mortality include acute respiratory illness, malaria, and diarrhea. Preliminary results of the 2002 DHS show that coverage of children 12-23 months with both DPT-3 and polio-3 has increased from 48 percent in 1995 to 79 percent in 2002 (these percentages do not include additional polio coverage through National Immunization Days). Care seeking for childhood illnesses has increased from 37 percent in 1995 to 44 percent in 2002 for acute respiratory infection (ARI), and from 28 percent to 42 percent for diarrhea during the same period. Use of ORT for children with diarrhea has increased from 56 percent to 68 percent. Thus, prospects for further improvement of under-five mortality over the next five years are good, especially as the Integrated Management of Childhood Illness (IMCI) Initiative was just beginning to be implemented in early 2002. Household ownership of insecticide-treated nets (ITNs) for malaria prevention has reached 35 percent nationally (this average includes non-malarious areas); the Roll Back Malaria (RBM) baseline survey in malarious areas put this at 65%. Use of iodized salt at the household level has reached 71 percent nationally.

Similarly, maternal health is jeopardized by closely spaced pregnancies, the high proportion of high-risk births, early marriage in some areas, malaria, female genital cutting (FGC), complications of abortion, and low use of obstetric care. Some progress has been made in increasing the proportion of deliveries in health facilities, up from 17 percent in 1995 to 26 percent in 2002, and the proportion delivered by health professionals rose from 21 percent in 1995 to 28 percent in 2002. Given high desired family size and the sense of national insecurity resulting from the conflict, improving birth spacing and reducing the proportion of high-risk births are the most difficult challenges. The 2002 DHS found that 17 percent of women aged 15-49 years wanted no more children, compared with 36 percent for Uganda and 32 percent for Ethiopia in their most recent surveys (2001/2000). Now that personnel have been trained, communications, quality assurance, outreach, and community involvement are needed to further increase use of maternal health services.

FGC has decreased from 95 percent in the 1995 DHS to 89 percent in 2002. This reduction appears to be in less severe forms of FGC rather than infibulation. The percentage of women who believe the practice should continue has decreased from 57 percent to 49 percent. Further analysis and formative research are needed to refine strategies for addressing this health problem.

The 2002 DHS does not show gender differences for child health parameters such as immunization coverage, treatment-seeking behavior, and nutritional status. Nonetheless, initial IMCI referral studies show that girls may be less likely to be referred appropriately to higher levels of care. This finding needs to be monitored on a larger scale and addressed as needed. There is an obvious differential between the high childhood immunization coverage cited above (e.g., 91 percent for Bacillus Calmette-Guerin (BCG) and lower maternal care indicators such as percentage of women receiving at least one tetanus toxoid injection during last pregnancy (51 percent) or the percentage given iron supplements (40 percent). This must reflect not only gender-based demand constraints, but also need for further improvement in quality of maternal

care. For example, since the percentage of women with antenatal care from a health professional was 70 percent, tetanus toxoid coverage and iron supplementation could have been higher.

Special challenges and opportunities exist regarding HIV/AIDS. Eritrea is still at a relatively early stage of the HIV epidemic, with an estimated general population HIV sero-prevalence rate of around 3.0 percent. This figure represents a doubling in the officially reported rate over the last three years. Even at this early stage, HIV threatens to overwhelm the coping capacity of this new nation: HIV/AIDS has risen from the tenth to the second leading cause of inpatient deaths among those aged five years and above. Unique historic circumstances have shifted nearly an entire generation of Eritrean youth into a high-risk category for HIV: the military and national service. The planned demobilization of 200,000 troops brings the added risk of spreading HIV to families and communities across the country. At the same time, there is high awareness of the threat of HIV and strong commitment to stopping HIV in Eritrea. Eritrea's HIV prevention condom social marketing program is well established. HIV rates are highest among commercial sex workers (CSWs) and the military, presenting opportunities for focused efforts to slow the rate of infection.

2. Barriers to Increased Utilization of Health Services

In March 2002, USAID/Eritrea recruited a three-person expert team to conduct a Health Strategy Assessment that has guided USAID/Eritrea in developing the health SO within the ISP. This team worked closely with the GSE and identified three major barriers to utilization, which are described below. Strategy development was also based on the gender assessment completed in August 2002, which further highlighted barriers to utilization of maternal health care and HIV/AIDS prevention. Additional cultural and geographic factors also play a role in the barriers to utilization. Eritrea has cultural and geographic diversity even within zones. There are nine main ethnic groups, and the population is roughly half Moslem and half Christian (mainly Eritrean Orthodox, with some Catholics and Protestants). Lowland areas tend to be Moslem and highland areas tend to be Christian. Education, economic conditions, accessibility to any services, cultural habits and patterns differ across zones. USAID recognizes that different approaches are required for meeting the needs of the different groups and removing barriers to utilization of health services.

Demand constraints for health services: Many people in Eritrea may not seek medical care until it is too late, or until they have used traditional resources available in their communities. Low quality of services can be a constraint, but perceived quality factors may not necessarily coincide with technical standards. The MoH and community health care providers need to better understand people's health care perceptions, practices, health-seeking behavior, and barriers to utilization. Rapid and participatory appraisal techniques can be used to obtain information needed to develop approaches to reduce these barriers. Interventions are needed to test new approaches and demonstrate to different groups within communities the benefits of underutilized but critical services such as emergency obstetric care. This is best done with active community participation and based on lessons-learned from what is already being practiced. Thus, in this ISP, the concept of demand is broadened to achieve active involvement in primary health at all levels, including innovative communications, community participation, governance, and cost sharing approaches.

Inconsistent quality of available services: Assessments of IMCI, emergency obstetric care, and infection control activities, as well as DHS data on maternal care, show that that the quality of services delivered in health care facilities can be improved. Human and financial resources will

be scarce throughout the strategy period, but there is evidence that improved supervisory support, monitoring and evaluation, and quality assurance systems can help improve quality even in a resource-constrained setting. The demonstrated commitment of the GSE to health improvement, low level of corruption, strong MoH interest in quality assurance techniques, and potential of planned demobilization/reintegration to reduce shortages of health personnel present good prospects for further improvement.

Scarcity of trained health personnel and financial resources: The MoH operating budget constrains expansion of the health system in terms of both facilities and staffing. This situation is intensified by an increase in hospitals and hospital beds resulting from hospital replacement and expansion supported by the World Bank, China, and other donors. Competition for health workers between hospitals and other levels of the system will increase pressure on human and other resources. The MoH has reinitiated efforts to decentralize its services and improve resource allocation across different health care systems. USAID/Eritrea has a unique opportunity to support the Ministry and zonal administration to develop systems and tools to manage resource allocation for improved overall health care system performance, and demonstrate greater results at all levels.

3. Government of the State of Eritrea's Policies and Priorities

During the independence struggle, the Eritrean People's Liberation Front (EPLF) operated emergency medical services for combatants and public health services for civilian communities in liberated areas. After liberation in 1991, the MoH focused on expanding the neglected and conflict-damaged network of health facilities inherited from Italian, British, and Ethiopian times. For example, only 31 out of 95 health stations were functioning. From 1990-2000, the number of hospitals increased by 44 percent, the number of health centers increased by 1,200 percent, and the number of health stations increased by 136 percent. Another early priority was to upgrade the qualifications of health personnel who had little formal training but had gained extensive practical medical experience in the field during the independence struggle.

In 1996, the GSE established new regional administrations. In 1998, however, decentralization efforts were interrupted by the border conflict. Nonetheless, the Ministry of Health established Zonal Health Management Teams that prepare annual program plans, although there are no formal systems in place for costing out these plans or relating them to anticipated resource levels. During the last year, the MoH has restarted efforts to devolve responsibility and to reallocate personnel to the zones. Improvement of financial management and budgeting capability is an urgent priority.

The continuing shortage of trained personnel at all levels limits health improvement. There are plans to both expand training capacity and ensure that available personnel are used more effectively. There is also a strong interest in health care quality improvement/quality management systems and techniques as a means to further strengthen health services, accelerate health impact, and make the best use of resources. During the CSP, the MoH made good use of USAID assistance in a number of areas, described below under results.

Eritreans are acutely aware of the impact of HIV/AIDS on much larger and wealthier African countries, and of their own vulnerability as a small country. Policy makers are aware that prevalence of HIV in southern Africa 15 years ago was far lower than that of Eritrea today. The GSE recognizes that it can have a positive impact on the country's emerging HIV/AIDS epidemic by acting quickly and forcefully. Eritrea provides an ideal opportunity to demonstrate that

effective, focused and well-coordinated multi-sectoral actions can stop the spread of HIV/AIDS and avert its tragic economic and humanitarian consequences. Eritrea's commitment is demonstrated by its expansion of the HIV prevention condom social marketing program in 2000, the major World Bank-financed loan project for HIV/AIDS, STIs, and tuberculosis (HAMSET) that the country developed during 2000, and the recent multi-sectoral integrated proposal submitted to the Global Fund.

4. Results to Date

As the DHS results show, Eritrea has made dramatic progress in child survival during the current strategy period. Analysis from GH MEASURE Evaluation for SO target setting concluded that "The pace of decline in infant and under 5 mortality rates in Eritrea over the period roughly 1991-95 to 1998-2002 is among the fastest experienced in any developing country." The analysis included all countries with two DHSs, not only sub-Saharan Africa, where child survival gains have been reversed by HIV/AIDS. The analysis also found that among all DHS surveys conducted in the last five years, only Bangladesh had higher ORT treatment coverage, that vaccination coverage is now very high by African standards, and that use of treated bednets for malaria prevention is very high in comparison with other UNICEF national estimates.

USAID also collaborated with the MoH in establishing basic management systems before the border conflict. As a result of the consequences of the border conflict in 1998-2000, there was no USAID support to the MoH health management information system (HMIS) in the three years after the system was developed. During that period the system continued to function effectively, and was even expanded by the MoH demonstrating sustainability. In 2001, USAID resumed its support in order to expand the HMIS further and to develop the Decision Support System (DSS) – software to enable easy user access to the data and more timely reporting. Experience with the pharmaceutical logistics system was similarly successful.

B. Purpose and Definition

The purpose of SO 4 is to increase the use of priority primary health and HIV/AIDS services and improve practices in order to reduce infant and under-five mortality, improve maternal health, and stop HIV at an early stage. Since significant health impact was achieved during the current SO, the new health SO represents an evolution rather than a redesign. The new SO takes advantage of new opportunities and builds on the advances made during the past five years. However, the earlier assumption that people need to use primary health care services in a sustained manner remains a valid focus.

Based on the lessons-learned from the current program and taking account of the contributions of other donors, some adjustments are necessary to ensure the successful evolution of the program. First, the focus on demand must be intensified and the concept broadened to achieve active involvement in primary health at every level through community participation, governance, and cost sharing, in addition to health communications ("demand plus"). The "demand plus" concept recognizes that no program can be fully successful and sustained without active participation of target populations and other stakeholders. Based on the positive experience of the private sector approach to condom distribution, the MoH is interested in USAID support for exploring public-private collaboration to address other health sector issues such as malaria. In addition, since the end of the border conflict, the MoH has been proactive in restarting decentralization and now leads the rest of the government. USAID will explore what capacity and assistance is needed – at the national, regional, and local levels – to assist with decentralization in health care delivery.

Secondly, a focus on improved management and better resource allocations is essential to sustain progress and support further improvement in the use of primary health services. This is a priority of the Ministry of Health, which must optimize the allocation of its limited resources. Therefore, the third intermediate result under the new strategy will strengthen management systems, skills, and information tools that will help the MoH to allocate resources more effectively to maximize health impact. USAID helped to establish Eritrea's health information system and pharmaceutical logistics system and is well positioned to take these systems to their next stages. Recognizing USAID's comparative advantage in health reform, the MoH has requested USAID assistance in developing financial management, performance monitoring, and human resource management systems. These basic systems and skills will complement USAID and GSE efforts to improve quality, decentralize health services, and adapt innovative approaches to achieve greater utilization and impact.

Thirdly, access will no longer be emphasized directly. Unlike the current health SO, this dimension no longer appears as an intermediate result. In Eritrea, access tends to be interpreted as expansion of the health care system infrastructure. Standard definitions of access often measure this dimension in terms of the proportion of the population within X kilometers of a specific service, which also implies the addition of facilities in underserved areas. The health care system has expanded rapidly since independence. Further expansion may not be sustainable, given present resource constraints, and the World Bank and other donors emphasize infrastructure, when necessary. Moreover, the system is still relatively underutilized, so efforts to improve the demand for and quality of services at each level, and to allocate resources more effectively, will also help to ensure access.

Finally, greater emphasis on HIV prevention is such a high priority for the next five years that this will be a separate, fourth intermediate result. This high priority is based on the time-sensitivity and near irreversibility of the HIV epidemic, combined with Eritrea's commendable commitment to stopping HIV at an early stage, before it overwhelms the country's coping capacity.

Based on results to date and USAID's comparative advantages, core program areas under this SO will continue to include the following: IMCI, obstetric life saving skills, family planning (as birth spacing and post-abortion care), polio eradication, malaria, health communications, and HIV prevention. These are the priority primary health services addressed by SO 4. Nutrition will be integrated with IMCI, health communications, and maternal health interventions. Female genital cutting will be addressed with information, education, communication, and training activities. Emphasis among these areas will be adjusted based on analysis of final 2002 DHS results, funding levels, and changes in other donor support.

1. Geographic coverage

Given that USAID resource levels for health are not expected to rise during the strategy period, SO 4 will maintain the geographic focus developed during the current SO. The principal geographic focus for maternal and child health activities has been three (out of six) zones that account for over half of the population – Central (Maekel), Gash Barka, and Southern (Debub). The latter two are also the zones where the health system suffered the most damage during the 1998-2000 border conflict. At the request of the MoH, personnel from all zones are included in fundamental training (such as obstetric life-saving skills and health management information systems). Roll-out of systems developed (such as HMIS improvements) will generally be

national, with efforts to leverage other donor funding for hardware, especially in non-focus zones, where possible.

Certain programmatic interventions are focused on high-risk areas or populations. Malaria transmission is focal and intermittent in Eritrea; hence malaria control efforts are focused on malarious areas within high risk zones. These are Gash Barka, Southern (Debub), Anseba, and Northern Red Sea Zone. Secondly, HIV prevention efforts are focused on high-risk groups across the country. The HIV prevention condom social marketing program is national, now more urban than rural, and its promotional efforts focus different types of messages on different age and risk groups. (See HIV Annex for further discussion.)

2. Stakeholder Participation in Development of SO 4

Development of this SO was based on a consultative process involving representatives of the MoH, other Eritrean partner organizations, UN agencies, and international NGOs from March to October 2002. Lessons-learned from USAID/Eritrea's current strategy and from other donor experiences were taken into consideration. USAID/Eritrea also examined the level of resources and made the strategic choices regarding where it could maximize impact. A health sector assessment conducted in March 2002 provided information for making these decisions. In addition, USAID/Eritrea benefited from a comprehensive Health Sector Note (desk review of all available reports) prepared by the World Bank. A USAID-funded gender assessment completed in August 2002 informed this SO development and, finally, preliminary data from the 2002 DHS were available during the development of this strategy.

C. Results Framework for SO 4

A graphic presentation of the SO 4 Results Framework is shown on the following page. The four IRs to be achieved under SO 4 are shown along with their respective key performance indicators. Illustrative activities to be carried out under each IR are also shown.

The SO-level performance indicators and targets for SO 4 are shown in Table 1 below. Included in the matrix are their baseline measures and the target levels for the life of the ISP. These baseline and target data are specified in the ISP in order to declare a commitment to this level of achievement. The program risks and constraints discussed in this section and in Section I above may impede this achievement. Scenario-based planning is being used to take account of risks.

SO 4: Use of Priority Primary Health and HIV/AIDS Services Increased and Practices Improved

Overall Indicators:

1. % of children 12-23 months who have received DPT3
2. % of children 6-59 months old with diarrhea receiving ORT
3. % of HH in target zones owning two or more ITNs
4. % of births attended by medically trained personnel
5. Contraceptive prevalence rate for women of reproductive age
6. Condom use by commercial sex workers (CSWs)

Development Context

- Political and economic environments remain stable
- MOH budget remains at current or higher levels
- Demobilization begins during 2002/2003

Risks to Program

- Other donor support to MOH is significantly reduced
- SO1 funding during CSP time frame is reduced below planning levels
- GSE commitment to primary health care declines

Intermediate Results (IR)

IR 1: Active Demand for Primary Health Care Expanded

Indicators:

1.1: Community support: number of new approaches to increase demand and support primary health care designed and tested

1.2: Community support: number of health facility governance boards with community representatives

1.3: % improvement in selected health knowledge and attitude indicators

IR 2: Quality of Priority Primary Health Services Improved

Indicators:

2.1: Number of facilities implementing emergency obstetric care to standards

2.2: Number of facilities implementing IMCI to standards

2.3: Percentage of children under 5 in target facilities receiving appropriate malaria treatment

IR 3: Institutional Capacity for Resource Allocation Decisions Improved

Indicators:

3.1: Presence of specific mgt. systems according to phased plan at each level

3.2: Presence of mgt. training program and number of managers trained

3.3: Use of HMIS and other information systems used to monitor and improve effectiveness of priority primary health programs

3.4: MoH analytical and program mgt. capacity to ensure evidence-based programming for malaria

IR 4: Quality and Demand for HIV/AIDS Prevention Services Increased

Indicators:

4.1: Number of standalone VCT centers

4.2: Number of VCT clients annually

4.3: Age of first sex

4.4: Number of non-regular partners

4.5: Condoms sold for HIV prevention by social marketing program

Illustrative Activities

- Expand BCC/IEC to support community IMCI, emergency obstetric care, further FGC reduction, and malaria control
- Use sub-zonal and community health committees to develop transportation plans and procedures for obstetric emergencies
- Examine worldwide experience in community financing schemes and test promising approaches
- Identify key barriers to primary care use and modify services to reduce barriers
- Provide training for NGOs and other organizations to increase service use

- Strengthen & expand pre-and in-service training curricula for nurses & health assistants to incorporate quality assurance
- Incorporate management, problem solving, and quality assurance skills into pre-service and in-service training
- Roll out quality assurance committees, facilitative supervision, self-assessments & other quality improvement techniques
- Develop & implement use of job aids such as checklists, self-assessment tools, monitoring methods, etc.
- Strengthen monitoring & evaluation of priority services, including using data
- Expand QA efforts to develop user-friendly primary care services & procedures

- Develop & establish management systems, policies and guidelines at zonal, sub-zonal and facility levels
- Develop or upgrade resource management systems for use by zonal Health Management Teams, facilities, and policymakers
- Rationalize and fine-tune cost sharing systems and fee structure
- Provide training at each level to develop and use appropriate management skills
- Ensure use of HMIS and other systems to monitor health system performance & improve resource use
- Finalize and use malaria sentinel and GIS surveillance systems to target integrated malaria control strategy effectively

- Continue HIV prevention condom social marketing program
- Expand BCC
- Expand capacity to provide VCT
- Improve quality of STI services
- Improve quality of data for surveillance, monitoring, and evaluation
- Develop focused interventions for HIV prevention among CSWs and clients
- Enhance preventive interventions focused on military

SO 4: USE OF PRIORITY PRIMARY HEALTH AND HIV/AIDS SERVICES INCREASED AND PRACTICES IMPROVED

Performance Indicator	Baseline (2002)	Target (2007)
Percentage of children 12-23 months who received DPT-3 by their first birthday (male/female)	78/80 percent	82 percent
Percentage of children 6-59 months with diarrhea receiving ORT (male/female)	72/64 percent	72 percent
Percentage of households in Gash Barka, Southern (Debub), and Anseba Zones owning two or more insecticide-treated nets (ITNs)	50 percent	90 percent
Percentage of births attended by medically trained personnel	28 percent	35 percent
Contraceptive prevalence rate for in-union women of reproductive age	5.1 percent	11 percent
Condom use at last sex among commercial sex workers (CSWs) in target communities who had sex during last 6 months	TBD	90 percent

D. Intermediate Results

1. Intermediate Result 4.1: Active Demand for Primary Health Care Expanded

Increased use of priority primary health services depends on people's demand for these services. Expanding active demand for primary health services -- including participation of communities, individuals, households, and multiple sectors in health improvement -- is needed to solve Eritrea's most challenging health problems. Immunization, for example, has reached high levels in Eritrea. It does not require active or complex involvement on the part of clients. However, use of emergency obstetric care (OEC) is lagging. Addressing this issue will require active community support and more complex involvement: people must know where EOC services are offered and have a basic understanding of their importance. Timing is critical and delay is fatal. There must be a clear understanding of what complications require EOC and clear agreement on which family member can authorize care seeking. Transportation plans must be made in advance, most likely in cooperation with other community members or organizations. Substantial interaction between the health services and the community is needed to address cultural and gender barriers.

USAID/Eritrea proposes to focus on interventions that can have high impact on creating demand using innovative approaches that involve active participation by the people. The IR is based on the assumption that health communication messages in the absence of a buy-in from and participation of the people may not have the desired impact on use of health services. Thus, a "demand plus" concept will be introduced. Opportunities to involve people through decentralization, governance (community health committees, community representatives on boards of directors of facilities), public-private partnerships (currently exemplified by the condom social marketing program), studies on barriers to demand, advocacy (exemplified by involvement of the Eritrean Pharmaceutical Association and Chamber of Commerce in HIV/AIDS prevention), cost sharing (exploring models such as mutuelles -- community insurance schemes), and gender sensitive approaches will be sought and encouraged.

Achievement of this IR will build on health communications capacity developed over the last several years. In core program areas, there has been a systematic approach to building good understanding of and support for both information, education, and communications (IEC) and behavior change communications (BCC), developing a base of qualitative research, and providing training across sectors and levels.

This IR will encourage a spectrum of involvement in health from personal/individual actions to the household, community, sub-zonal, zonal, and national levels. The range of institutions will include MoH and local government structures at each level, health committees at each level, Eritrean NGOs, faith-based organizations, the business community, and labor organizations. USAID and its partners will encourage gender-balanced group participation.

Illustrative activities:

- Expand BCC/IEC to support community IMCI, emergency obstetric care, further FGC reduction, and malaria control
- Use of sub-zonal and community health committees to develop transportation plans and procedures for obstetric emergencies
- Examine worldwide experience in community financing schemes and test promising approaches in Eritrea

- Use rapid, qualitative research techniques to define key barriers to use of primary health services (especially obstetric care) and modify services to reduce barriers identified
- Provide training for the business community, faith-based organizations, and other Eritrean NGOs that can provide or encourage the use of primary health services

Key indicators:

- Community support: number of new community level approaches to increase demand and support primary health care designed and tested; number of health facility governance boards with community representatives
- Percent improvement in selected key health knowledge and attitude indicators (e.g., knowledge of maternal complications of pregnancy and childbirth, knowledge of location of IMCI services, hygiene)

2. IR 4.2: Quality of Priority Primary Health Services Improved

Continued improvement in the quality of primary health services is a prerequisite for use of health services. People will not travel to health facilities or take advantage of services if services are of poor quality or do not meet their needs.

This IR will improve quality of primary health services in the following ways, with a principal focus on the zonal level and below:

- Update or develop service delivery policies, standards, guidelines, job aids, and quality monitoring tools;
- Provide or strengthen in-service and pre-service training to develop or improve skills, especially in priority primary health interventions and quality management; and
- Integrate quality assurance and quality management concepts and practices into training, service delivery, monitoring, and management at each level.

High quality care is critical for attracting clients to priority health services and ensuring the impact of the interventions offered. Training of health workers is a fundamental means of improving quality. In addition, training needs to be reinforced with quality improvement efforts to help address other barriers to quality services. IMCI is a good example of a program that has trained a critical mass of health workers and is following the training with on-site quality assessments to identify changes needed to ensure the quality of IMCI. These include, for example, reorganization of patient flow within facilities, changes in staff shift schedules, and procurement of pediatric-size supplies (oxygen masks, IV bags), and development of job aids and self-assessment tools.

Based on this experience, quality assurance will be expanded to enhance key maternal and reproductive health program areas such as prenatal care, safe deliveries, emergency obstetric care, post-abortion care, and encouraging improved birth spacing.

Illustrative activities:

- Strengthen and expand pre-service and in-service training curricula and methodologies for primary health personnel (nurses and health assistants) to incorporate quality assurance
- Incorporate management, problem-solving, and quality assurance skills into pre-service and in-service training

- Assess the tasks of current primary health care staff, and modify job descriptions and duties to reflect the new quality assurance emphasis
- Incorporate quality assurance into health service management training as a means of both increasing health service quality and making management more effective
- Use rapid operational assessment techniques to identify most feasible solutions to improving service delivery
- Roll out quality assurance committees, facilitative supervision, self-assessments and other quality improvement techniques
- Develop and produce job aids such as checklists for priority services, self-assessment tools, monitoring methods, etc.
- Strengthen performance-based monitoring and evaluation of priority services, including use of available health system data to fine-tune approaches and boost performance
- Expand current USAID-funded quality assurance efforts to develop user-friendly services and procedures at facilities providing primary health services
- Include key gender-sensitive quality assurance measures in the HMIS and use them in assessing service quality

Key indicators:

- Number of facilities implementing emergency obstetric care to standards
- Number of facilities implementing IMCI to standards
- Percentage of children in target facilities receiving appropriate malaria treatment

3. IR 4.3: Institutional Capacity for Resource Allocation Decisions Improved

Increased use of priority primary health services cannot be achieved or sustained without effective use and reallocation of scarce resources – human, financial, pharmaceutical, equipment, and physical infrastructure. Strengthening critical management and financial systems will make this possible. This will include systems and skills needed for health services planning, analyzing both the cost of services and their utilization, program budgeting, allocating resources, and monitoring and evaluating performance. Without this information and these resource management tools and skills, allocation of resources cannot be optimized for maximum results and impact.

Building on the systems work and training to date, this IR will strengthen management systems in the following ways, with a focus on the zonal level and below:

- Developing and strengthening guidelines and operational policies related to zonal-level management systems
- Strengthening health service management and financial management systems, practices and skills within target zones
- Improving referral systems

USAID-funded assistance will focus on strengthening financial and other resource management skills and systems at the zonal Health Management Team and facility levels. To support these efforts, some of the same systems and management tools that need to be introduced at the zonal level – such as improved financial accounting, planning, and performance monitoring – need to be introduced at the central level. Continued support is needed to expand and strengthen the

HMIS, including feedback to reporting levels and use of the data in monitoring, planning, and resource allocation.

As part of IR 4.3, USAID will provide technical support to the MoH in identifying the specific roles, functions and responsibilities of the zonal Health Management Teams and zonal hospitals. This technical support will also provide training in administering overall management and financial accounting systems, planning, performance monitoring, and other management tools and systems to improve the efficiency and effectiveness of health service delivery within the zones.

USAID/Eritrea's assistance to the malaria program has supported the development of improved information and surveillance systems through the use of both entomology and epidemiology. Support under this SO will build on that work, and will assist the National Malaria Control Program to increase its capacity for collecting, managing, analyzing, and using data through improving its surveillance systems, operational research program, and information systems. Strengthening evidence-based programming for malaria prevention and control will result in more effective use of program resources in combating malaria.

Illustrative activities:

- Develop and establish management systems policies and guidelines at zonal, sub-zonal, and facility levels
- Develop or upgrade critical resource management systems such as HMIS, pharmaceutical logistics, financial management, etc., for use by the Zonal Health Management Teams, facility managers, and policymakers
- Provide training at each level to develop and use appropriate management skills
- Rationalize and fine-tune cost recovery systems and fees
- Ensure use of the HMIS and other systems data to monitor the performance of the health system and facilities at each level and to improve the targeting of interventions and resources
- Complete establishment of malaria sentinel surveillance system and geographic information system (GIS) analysis for effective targeting of Eritrea's integrated malaria control strategy
- Analysis and use of data generated for health financing policy development

Key indicators:

- Presence of specific management systems (pharmaceutical logistics, service performance, financial management, human resources, etc.) according to phased plan at each level
- Presence of management training program and number of managers trained
- Use of HMIS and other information systems to monitor and improve effectiveness of priority primary health programs (number of target zones that present annual reports and plans using HMIS data to measure progress in core programs)
- MoH analytical and program management capacity to ensure evidence-based programming for malaria prevention and control (number of target zones where training of specific cadres has been completed)

1. IR 4.4: Quality and Demand for HIV/AIDS Prevention Services Increased

Based on recent USAID/Washington guidance, a separate HIV/AIDS strategy annex appears as Annex G. This is summarized below. Due to Eritrea's classification as a Basic country and

consequently limited resources for HIV/AIDS programming, USAID/Eritrea's HIV/AIDS strategy focuses on a limited number of preventive interventions that will have the most impact and make optimal use of available resources. This focus is consistent with and supports the preventive elements of Eritrea's national HIV/AIDS strategy.

Increased use of priority HIV/AIDS prevention services cannot be achieved without effective demand, quality services, and improved information on the trends of the epidemic.

Building on work to date in condom social marketing, training to develop VCT services, BCC interventions, and program planning, this IR will increase use of priority HIV/AIDS prevention services in the following ways, with a focus on high risk groups:

- Establish or maintain prevention programs focused on those most likely to contract and spread HIV. In Eritrea, the most urgent priority is to reduce the spread of HIV among commercial sex workers, their clients, and the military. This requires three different types of activities: first, focused and intensive BCC with these risk groups; secondly, service delivery sites that are centers of excellence for VCT, STI diagnosis and treatment, condom education, and ancillary services such as family planning; thirdly, social marketing of condoms and, possibly, STI treatment kits.
- Expand prevention efforts to those with somewhat lower risk. The future course of the epidemic will be determined by the choices of Eritreans aged 12-24. These youth are at risk due to economic vulnerability, national service, and other social trends. Reaching them with life skills education, youth friendly health services, and modern messages to increase the age of sexual debut is a larger challenge, but one that cannot be neglected during the strategy period.
- Build capacity necessary for efforts to mitigate impact of AIDS. This will be accomplished primarily through actions that also support prevention, such as VCT, BCC to reduce fear and stigma, and improve program management capacity.

Illustrative activities:

- Continue support for HIV prevention condom social marketing program
- Expand and improve behavior change communications
- Expand and improve capacity to provide voluntary counseling and testing
- Improve quality of STI services
- Improve quality of data for surveillance, monitoring, and evaluation
- Develop focused interventions for HIV prevention among CSWs and clients
- Enhance preventive interventions focused on military men and women

Key indicators:

- (Goal level) prevalence of HIV among 15-24 year olds (target: maintain below 5 percent)
- (SO level) condom use at last sex among CSWs in target communities who had sex in last six months [knowledge, attitudes and practices (KAP) surveys]
- Number of stand-alone VCT centers with ancillary services
- Number of VCT clients tested annually
- Annual condom sales through social marketing program
- Condom use with last non-regular partner (KAP surveys)
- Age of first sex (DHS and KAP surveys)

- Number of non-regular partners (KAP surveys)

E. Monitoring SO 4 Achievement

The baselines and targets for SO 4 performance indicators are shown above in Section C. These are based on consideration of preliminary 2002 DHS results, estimates of worldwide progress, and MoH program plans. They will be further discussed with implementing partners in Spring 2003 and revised to reflect final DHS results and analysis, full year reporting on immunizations and condom sales, and commitment of partners, if necessary.

Targets for immunization and ORT are very close to the 2002 baseline. There are two reasons for this. First, these levels are already currently very high for Africa. Many African countries have been unable to sustain high levels of immunization coverage, once achieved. Secondly, fertility has fallen due to the high proportion of men 18-40 in the military. When demobilization occurs, a "baby boom" is likely. This will greatly increase the absolute number of infants requiring immunization and other care each year, so that program effort will have to increase substantially to maintain the same level of coverage. Given these unique circumstances, the Mission and AID/W reviewers have recognized that consolidating the extraordinary the child health gains made by Eritrea during the past few years represents a significant challenge.

Data for most SO level indicators will be gathered through the next DHS planned for 2007. During interim years, data on immunization, deliveries by trained health providers, and antenatal coverage will be gathered from the MoH HMIS. Before the 2002 DHS, it was difficult to estimate the denominator for these indicators due to the lack of a census and the significant demographic impact of the high proportion of Eritreans 18-40 in the military and national service. Analysis of preliminary 2002 DHS data shows that a good estimate of the numbers of infants and pregnant women can be derived from the number of BCG immunizations given during the year. BCG coverage was found to be 91 percent in the 2002 DHS. Using the number of BCG immunizations for 2001 multiplied by 1.1 as the denominator for 2001 HMIS data yielded percent coverage of antenatal care, other immunizations, and deliveries by trained health personnel that were within 1-2 percent of the 2002 DHS data. The HMIS is being updated to produce gender-disaggregated data.

Data for immunization coverage may also be obtained from WHO/UNICEF/MoH coverage surveys in years that those are conducted. Data on malaria indicators will be obtained from WHO-funded Roll-Back Malaria Initiative Surveys, as well as the DHS. Program activity indicators will be obtained from reports of USAID-funded implementing partners.

Data on HIV indicators will be obtained from the DHS, from World Bank-financed surveys of sero-prevalence and risk behaviors, from sales reports of the Eritrean Social Marketing Group (ESMG), and surveys of knowledge, attitudes, and practices carried out by the ESMG. To make the best use of available resources, USAID needs to also rely on other-donor funded surveys for the full range of useful indicators, and will provide technical assistance to improve the quality of data where possible. The MoH plans to establish HIV surveillance in antenatal clinics and these data will be used when they become available.

The SO 4 team will hold a performance monitoring exercise with partners in the Spring of 2003 to focus on the IR level of the Results Framework, when final 2002 DHS results should be available, to refine the indicators, assemble IR indicator baseline data, and set IR indicator

targets. At that time, USAID/Eritrea may also revise SO level indicators and targets, based on final DHS results and IR level definition, if necessary.

F. Instruments

a. Institutional Support: Core support for IRs 4.1, 4.2, and 4.3 will be provided through either a direct USAID/Eritrea contract or competed IQC delivery order. Public-private alliances and the role of NGOs will be encouraged. For IR4.4, condoms for the HIV prevention social marketing program will be obtained from the USAID/Washington HIV prevention condom procurement fund.
b. Targeted Field Support: Field support to GH contracts and cooperative agreements will be used to provide more specialized assistance, especially for implementation of malaria and HIV/AIDS activities. Polio funding will be allocated to AID/Washington agreements.

G. Contextual Assumptions

The ability of USAID/Eritrea to address the full range of priority primary health services and approaches described in the strategy depends on continued, good MoH and other donor support for infrastructure, pharmaceuticals, equipment, staffing, and other operational costs of basic health services. Given that USAID will emphasize human capacity development, a shortage of people to be trained will constrain results. It is therefore assumed that demobilization begins during 2002/2003.

Progress toward the planned results depends on continued excellent commitment of the GSE to primary health services and HIV/AIDS prevention. Continued economic and political stability is assumed. Clearly, if USAID funding is reduced, not all of the planned results can be achieved.

In addition to USAID/Eritrea resources, the resources generated by partnerships and alliances will be necessary to full achievement of this SO. For example, the immunization program depends on support by USAID/Global Health and USAID/Africa Bureau projects implemented by UNICEF and WHO; on U.S. CDC support through UNICEF and WHO; on a grant from the Global Vaccine Initiative; and on donations raised by the Southern California District of the Rotary Club. It is assumed that these partnerships and alliances will continue to support vaccines, vitamin A capsules, polio surveillance, and the planning and promotion of National and Sub-national Immunization Days.

It is also assumed that Eritrea will ultimately be successful in its second application to the Global Fund for HIV activities. Public-private alliances are particularly important for HIV/AIDS prevention, care, and support where Eritrean business, labor, and faith-based organizations have become active, and where the international NGO Population Services International has created a public-private distribution and promotion network for condom sales and HIV education. Collaboration with REDSO/ESA HIV and health financing initiatives will also be important for full achievement of this SO.

It is assumed that international PVOs will successfully apply for the Global Health Bureau Child Survival and Health Grants Program and FFP/DAP grants, and that these PVOs will work in partnership with the MoH and other USAID implementing agencies to heighten the impact of priority primary health services.

H. Linkages

1. Linkages within SO 4

The assumptions underlying this SO are that to increase use of health services, people need to want to use the services, that the services are of high quality and responsive to people's needs, and that the resources available to the Ministry need to be well managed and optimized. Together, these four IRs support priority primary health interventions that will have an impact on people's health and health behaviors. Each of the four IRs will help to overcome barriers to increased health service utilization. Taken together their effects are mutually supportive. Creating demand through community involvement and better targeted messages will gain the confidence and buy-in of stakeholders and clients, improving utilization. In addition, IR 4.1 will also promote healthy behaviors among individuals and families, including better use of available services. IR 4.2 will improve health service quality, which in turn will make them more attractive to potential clients. IR 4.3 will improve the effective use of scarce health care resources, thereby making them more efficient, more widely available to clients, and more sustainable. IR 4.4 will benefit from the achievement of the other three IRs, since active involvement, increased quality and improved resource allocations will contribute both to increasing the demand for HIV/AIDS services, and to changing health behaviors among high-risk groups. Conversely, without IR 4.4, health gains will be reversed by HIV/AIDS.

There are also more specific linkages. For example, IR 4.1 approaches the question of cost sharing in terms of people's responsibility for health and the accountability of health services to clients. On the other hand, IR 4.3 will help to ensure that fee scales encourage (or at least do not discourage) the use of primary services. Systems developed under IR 4.3 will make it possible to establish mechanisms for retention and use of fees collected at the facility level, so that communities can benefit directly from their own fees.

2. Linkages between SOs and within USAID/Eritrea Strategy

The principal linkages between SO 4 and the overall USAID/Eritrea strategy are through the four cross-cutting themes discussed in Section III.E:

Gender: The USAID/Eritrea gender assessment showed that women are disadvantaged in may respects. Increasing the percentage of women and girls who receive quality health services will help to ensure that females are not only healthier but better able to pursue education and become more productive.

The gender assessment concluded that the maternal mortality rate 1) is a core indicator of gender inequity and 2) reflects women's lack of opportunity to obtain critical health care services during pregnancy, at birth, and after delivery. While IR 4.1 will focus on increasing the demand and broader community support for maternal and reproductive health services, IR 4.2 will improve the quality of these services. Together, over the long term they should have an impact on reducing maternal mortality and improving the quality of life of Eritrean women. Similarly, the same outcome should result for the other priority primary health services.

In turn, improved educational attainment and socioeconomic status of women usually correlates with improved health status. Thus efforts in SO 2 and SO 6 to extend these benefits to women reinforce the health improvement efforts of SO 4. (SO 2, the economic growth SO of the previous country strategy, continues through September 2005.)

HIV/AIDS: HIV/AIDS has reversed positive development trends throughout Africa. There is no point in supporting a development program that does not include HIV/AIDS prevention. SO 4.4 builds on Eritrea's multi-sectoral HAMSET framework and provides training and communications capacity that can be made available to partner organizations of both SO 2 and SO 6, to ensure that every opportunity is taken to incorporate HIV/AIDS prevention information and activities within relevant economic growth and citizen participation activities.

Linking Relief and Development: In the health sector, USAID/Eritrea's SO has complemented and reinforced relief efforts by strengthening primary health care, which is essential for both crisis response and development. The focus of the new SO 4 has shifted from supporting primary health care access to enhancing health sector management and development. In the event that a disaster were to occur, the health sector program would not shift resources to support emergency relief, which is the mandate of DCHA. In such an event, USAID/Eritrea would, in collaboration with DCHA, OFDA, FFP and the Bureau of Population, Refugees, and Migration (PRM), increase programming to meet nutritional gaps, provide emergency access to health care and enhance access to water. It would also modify existing programs in the health sector to enhance their mobility in the event of widespread population movements by establishing mobile clinics, moving health services with the population and increasing outreach in areas of population displacement (i.e., establishing condom kiosks in IDP camps).

In addition, there are specific linkages among the three SOs. For example, SO 2, in the process of improving economic growth in rural areas, will create new jobs and provide income to rural residents who previously were unemployed. In turn, some of this income will be available for improving household health conditions, cost sharing of primary health services, improved nutrition, and so on, thus helping to improve health status. SO 6 will also complement SO 4 efforts to strengthen community and public-private partnerships.

Another dimension of critical linkages is that of integrated USG resources. This is particularly important in HIV/AIDS prevention activities. The Department of Defense is providing support to the Eritrean Defense Forces (EDF) to carry out activities to prevent, control and mitigate the effects of HIV incidence and prevalence. These include support to the EDF for management and coordination of HIV/AIDS activities, VCT activities, HIV/AIDS awareness and advocacy activities, medical and laboratory equipment and supplies, and STI diagnosis and case management. The technical support and training provided by USAID for Eritrea's multi-sectoral response to HIV reinforces these efforts. In addition, the U.S Embassy Public Affairs Office (PAO) has carried out programs on HIV/AIDS. These activities have involved many Eritrean organizations and groups, including trade unions, the employers' federation, religious groups, photojournalists, and local leaders and have helped to improve the environment for USAID and other donor efforts. USAID has collaborated with the PAO on some of these activities.

3. Conformance with Other Donor and GSE Programs

The USAID/Eritrea ISP will be implemented in close collaboration with the GSE, the MoH, and with other donors and development partners. The GSE's Poverty Reduction Strategy stresses the importance of improved use of health services. USAID's proposed efforts are consistent with the GSE's emphases. In addition, USAID will continue to collaborate closely with both the World Bank (through the HAMSET Project) and UN agencies, especially UNICEF, UNFPA, WHO, and UNAIDS. This will ensure the effective use of available resources in the health sector, and will emphasize each organization's comparative advantages. USAID will continue to provide the

same level of collaboration in supporting the National Health Sector Review, and will use the review results to fine-tune SO 4.

USAID is a lead donor in HIV/AIDS and an active member of both the UN Theme Group on HIV/AIDS and the Country Coordinating Mechanism for the Global Fund. In the areas of reproductive health and child survival, USAID will collaborate with bilateral donors working in these areas, including Italy, China, UNICEF, UNFPA, WHO, Norway, and the Netherlands.

I. Beneficiaries, Development Impact, and Sustainability

Ultimate beneficiaries will be the people of Eritrea whose lives are saved and whose health is improved by increased use of priority primary health services. Women of reproductive age and children under five are the ultimate beneficiaries of improved maternal and child health services. In the case of malaria, all ages and both sexes in malarious areas benefit. In the case of HIV prevention, the entire country benefits from avoiding the profound impact of this epidemic.

Indirect beneficiaries include the health workers and others who are trained, and other family and community members who benefit from improved health of women and children, as well as from more user-friendly, higher quality, and efficient health services. Improved health generally reinforces educational and socio-economic attainment and hence the overall development of the nation.

This SO contributes to the USAID/Eritrea's Goal of improving the lives the Eritreans through improved health, accelerated economic growth and strengthened community partnerships. SO 4 contributes both directly, by improving health, and indirectly, since good health is a prerequisite to improved life as they then will be better able to contribute to economic growth and community partnerships. By increasing the use of priority primary health services, SO 4 will contribute directly to the five USAID worldwide population, health, and nutrition (PHN) strategic objectives:

1. Death and adverse health outcomes to women as a result of pregnancy and child birth reduced;
2. Infant and child health and nutrition improved and infant and child mortality reduced;
3. HIV transmission and the impact of the HIV/AIDS pandemic reduced;
4. The threat of infectious diseases of major public health importance reduced;
5. Unintended and mistimed pregnancies reduced.

USAID's focus on capacity development in this SO, as opposed to infrastructure expansion that would impose an additional operating cost burden, should generate sustainable results. Experience with systems development, in particular, has already demonstrated that the MoH can sustain results in the absence of USAID assistance.

V. STRATEGIC OBJECTIVE 6: Participation in Growth and Development Enhanced

A. Development Challenges to Enhanced Participation

Like many countries in the world, Eritrea's greatest resource is its people. The challenge for Eritrea is how best to enhance this resource to maximize its potential in the economic and political growth of the country. In 1991, Eritrea gained its independence after a hard fought struggle for independence that lasted more than 30 years. Since independence, the GSE has sought to establish an institutional and legislative framework promising citizen participation in the economic, social, and political development of the nation.

The current opportunities for citizen participation represent an amalgamation of traditional practices of governance. Traditionally, at the village and pan-village levels, the vehicle for citizen participation took the shape of elected assemblies headed by the male elders of the village. Since independence, the GSE has introduced legislation promising to ensure citizen participation, including proclamations addressing freedom of association, local government, decentralization, and the role of NGOs. The principle of freedom of association is embodied in the constitution, which has yet to be completely implemented, and various other proclamations. The Proclamation for Establishing Local Governments included local assemblies as vehicles for citizen participation and reserved 15 percent of the seats at all levels for women. In addition, in 1996, the GSE announced a proclamation on decentralizing administrative systems. The GSE also issued two proclamations on the definition and role of international PVOs and local NGOs. To date, there are 31 international and 16 local NGOs implementing a broad range of activities including activities to address microcredit, health, education, humanitarian, and other needs.

There are many challenges to participation in Eritrea. Limited availability and capacity of human capital, limited capacity of institutions (public and private) to prepare and train people; participatory mechanisms such as associations, NGOs, CBOs, and public sector institutions need strengthening; and insufficient access to information by the public. While this is not an exhaustive list, targeted support to address these challenges can enhance the potential and opportunities for greater participation in the country's growth and development.

There are many factors that contribute to the limited availability and capacity of human capital. The quality of primary education, especially in the lowland areas, is deteriorating as a result of a lack of resources; worsening infrastructure; limited capacity of teachers; and low enrolment, particularly among females. Eritrea's only institution of higher learning, the UoA, is understaffed and underresourced and much of the faculty require additional academic qualification. The long-delayed process of demobilization is moving forward, making available much needed but mostly unskilled labor. There are significant vocational training needs among those being demobilized and those organizations providing vocational training.

Strengthening participatory mechanisms is a challenge because local administrators and communities need resources and skills to adapt to the central governments' devolution of authority to the local level. Effectiveness of decentralization will depend upon the capacity of the local administration and communities to work together to resolve local issues. Thus, the role and capacity of local community based organizations will become increasingly important as decentralization is implemented.

The GSE is committed to expanding access to information to rural areas. However, this effort is constrained by the limited availability of information and communications media, including,

telephones, the internet, and even state-operated newspapers, radio, television. For example, in a country of 3.5 million people, there are only approximately 40,000 telephone landlines, and the majority of those are in Asmara. There is better coverage for the state-operated newspapers and radio; however, the newspapers are often outdated by the time they reach a destination and the radio programming is limited. The internet is now available in Asmara and in four secondary cities but expanding access to it is critical. Therefore, there is a significant demand for enhanced ICT, especially in small to medium-sized urban areas in the lowlands.

Despite these challenges, positive signs hold out the possibility for greater participation in growth and development. The principles underpinning current laws regulating facets of citizen participation are encouraging despite serious shortcomings in their interpretation and application. For example, there are efforts underway to restructure local administrations. The tradition of Eritreans to form voluntary CBOs to address community needs and the success of local elections in selected zones in 2002 provide opportunities to improve both the capacity and the environment for greater participation. Local elections took place in villages in the Debub and Northern Red Sea Zones in 2002, as part of an initiative that is being expanded to other zones in 2003. In addition, corruption levels compared to other African states are low to nonexistent, creating an excellent environment for engaging Eritreans to actively participate in creating solutions to their post-conflict development needs.

In the education sector, the GSE has made improved quality of, and access to, primary schooling a priority and has committed resources to addressing the problems. In addition, the World Bank is designing a $45 million program to construct schools, develop curriculum, train teachers, and address equitable access. As a result of USAID/Eritrea and other donor assistance, the UoA now has better qualified faculty in selected departments and much improved equipment and facilities.

With regard to demobilization, the best indicator of progress is that the process is moving forward and approximately 70,000 soldiers are expected to be demobilized by June 2003. USAID/Eritrea and UNDP have also developed the capacity of the National Commission for the Demobilization and Reintegration Program (NCDRP) to address the immediate needs of demobilized soldiers; however, there continue to be longer-term needs such as vocational training.

In addition, the GSE has expressed a commitment to improving information and communications infrastructure within the country, including the privatization of the telecommunications service, commercialization of the mobile phone network, and expansion of the national internet gateway.

B. Purpose and Definition

The purpose of SO 6 is to enhance participation by the people in growth and development. To achieve this, three intermediate results are being proposed: Human Resource Capacity Improved; CBO-Local Administration Partnerships Strengthened; and Community Access to Information Enhanced. These intermediate results are designed to build upon progress made in each of the selected areas and lessons learned from the current strategy and other donor experiences.

It is expected that as a result of this SO, people in selected regions and sectors will have the skills and the resources to enhance their participation in the development process. Over the long term, these results will contribute to the GSE's vision of developing a self-reliant, prosperous, democratic, knowledge-based Eritrea. This SO is based on the following assumptions: human resource capacity needs to exist and involvement of the communities is crucial for growth and development; that building on local development practices can be an effective people-centered

approach for enhancing participation; that local administrations, citizens, and communities can and do work together to reach common goals; and, that the role of ICT for disseminating and sharing information is an important tool to enhance growth and development.

The changes to this SO are based on the provisional approval cable of 14 April 2003. The Mission was requested to "revise this SO, its IRs, and activities" in light of changes in program budget availability, particularly DG funds. The revised SO 6 includes three IRs: IR 6.1 Human Resource Capacity Improved; IR 6.2 CBO-Local Administration Partnerships Strengthened; and, IR 6.3 Community Access to Information Enhanced. IR 6.1 incorporates ongoing activities (university linkages, participant training) that will continue to be supported with pipeline funds, with minimal funding required for participant training after 2004. The scope of IR 6.1 has been broadened to take advantage of the availability of funds for education, agriculture, and other funds once SO 2 has been phased out. The scope of activities under IR 6.2 has been scaled back in light of changes in program budget availability. Activities under IR 6.3 will be supported with pipeline funds but will require limited additional funding after 2004. The scope for IR 6.3 has been broadened slightly to take advantage of a wider array of potential funds.

Considering the limited resources available for this SO, it is unlikely that USAID can meet all of the challenges outlined above. However, USAID will target key sectors and regions to implement the interventions. In addition, this SO is designed to complement larger planned and existing bilateral and multilateral donor efforts while at the same time laying the groundwork for future USAID interventions should the economic and political environment improve. USAID/Eritrea's basic education interventions will feed into a larger World Bank $45 million credit to the education sector. USAID/Eritrea's vocational training for demobilized soldiers will complement World Bank and UNDP demobilization and reintegration efforts. The CBO and local administration partnership activities will serve as models for larger UNDP-supported decentralization efforts. USAID/Eritrea's ICT development efforts are designed to encourage foreign direct investment in the telecommunications sector; it is hoped that future work in this sector will be undertaken by the private sector. In addition, to maximize impact, USAID/Eritrea will build public-private alliances, including possible alliances between international PVOs and local NGOs, international organizations, other donor governments/aid agencies, the GSE, particularly local administrations, and the private sector as appropriate.

SO 6 will contribute to several USAID agency goals. SO 6 will contribute to economic growth and development through improved human resource capacity in selected vocations and expanded access to information to small and medium enterprises, particularly in rural areas. SO 6 will contribute to USAID's goal of building capacity through education and training by providing training and technical assistance to selected institutions and expanding use of information and communications technologies to CBOs, local administrations, and local communities. It will also contribute to USAID's goal of strengthening democracy and good governance, particularly at the local level, in three ways. First, by expanding citizens' ability to participate in local communities; second, by working with local administrations to incorporate participatory planning practices and encouraging transparency; and third, by enhancing the flow of information among citizens.

C. Results Framework for SO 6

The graphic presentation of the Results Framework of SO 6 is shown on the following page. The intermediate results and their performance indicators are also shown in the graphic, as are illustrative activities that will be undertaken in the implementation of SO 6.

At current resource levels, this SO expects to assist at least 500 students in targeted regions to access basic education. This SO expects to provide advanced degrees to 3 students at the UoA and 5 civil servants currently studying in the US. In addition, USAID/Eritrea assistance to UoA will allow at least 10 students to receive degrees in nursing as a result of distance learning programs. This SO expects to train as many as 2,000 people in various critical skills areas (accounting, bookkeeping, ICT, etc.)

At current resource levels, this SO expects to start work with at least 10 CBOs. CBOs in Eritrea are currently at a nascent stage of organization. Over the strategy period all CBOs with whom USAID/Eritrea works will progress to at least the emergent stage and some of them will become self-sustainable. USAID/Eritrea will utilize institutional capacity building tools such as the Organizational Capacity Assessment Tool (OCAT) to measure CBO capacity. In addition, local administrators in pilot communities will not only have the skills and capacity to engage in development planning with communities but also will be implementing community development projects jointly with CBOs. It is anticipated that at least four rural telecenters will be established under this SO. It is further anticipated that expansion of the activities under this SO will take place if the operating environment becomes more supportive. At that time additional resources would be requested and results achievement would be revised upwards. Additional resources will allow for an expansion of work with CBOs and local administrations as well as more direct democracy and governance activities.

SO 6: Participation in Growth and Development Enhanced

Overall Indicators:
1. Increase in number of people with improved basic and advanced skills
2. Number of community members participating in decision-making processes of local development activities

Development Context
- Political and economic environments remain stable
- Decentralization progresses
- Demobilization begins during 2003/2004

Risks to Program
- Political environment becomes unstable
- Decentralization does not progress
- Demobilization does not progress

Intermediate Results (IR)

IR 6.1:
Human Resource Capacity Improved

Indicators:
1.1: Increase in number of students accessing basic education in underserved regions
1.2: Selected UoA departments better resourced to expand learning opportunities
1.3: Number of demobilized soldiers receiving vocational training
1.4: Number of gender-related activities undertaken

IR 6.2:
CBO/Local Administration Partnerships Strengthened

Indicators:
2. 1: Number of joint CBO/local administration projects undertaken
2.2: Number of local administrations/CBO members trained
2.3: Number of CBOs strengthened

IR 6.3:
Community Access to Information Enhanced

Indicators:
3.1: ICT regulatory environment improved
3.2: Number of rural telecenters established
3.3: Number of trained ICT professional

Illustrative Activities

- Basic education support in underserved regions
- Technical assistance, training, and procurement for selected university departments/centers
- Vocational training for demobilized soldiers

- Grants for Joint CBO/local administration projects
- Train and provide technical assistance to local administrators and CBO leaders in financial planning, budgeting, management, crisis prevention and mitigation, and participatory development practices

- Technical assistance for ICT development
- Establish rural telecenters in selected communities
- Training for ICT skills development

D. Intermediate Results

1. IR 6.1: Human Resource Capacity Improved

This IR proposes to improve the capacity of human resources directly through basic education and vocational training, and indirectly through the support of limited higher education and skill training institutions, including a gender center, that are responsible for enhancing human resource capital in the country.

USAID/Eritrea expects to work with the Ministry of Education to design a program to address equitable access to basic education in selected communities in the lowland regions. This is important for the success of this SO, as without basic education, people are less likely to participate and take on leadership roles in communities. In FY 2002, USAID/Eritrea received support from the Education for Development and Democracy Initiative (EDDI) to pilot a girls' scholarship project in two regions. Based on the success of the pilot, USAID/Eritrea expects to expand the project in FY 2003 under the new Africa Education Initiative. In FY 2003, USAID/Eritrea will capitalize on the availability of additional basic education resources to promote equitable access to education in underserved regions. These activities will complement efforts of a proposed World Bank $45 million credit to address basic education needs in Eritrea.

The UoA is understaffed and much of the faculty lack academic qualification. A range of donor-supported efforts are underway to address the quantitative and qualitative shortfall in academic staff as well as curriculum development and improved research capacity. USAID/Eritrea is supporting capacity strengthening in teaching, administration, curriculum development, and resource procurement through the successful university linkages program that includes two tripartite agreements between the UoA, two US universities, and USAID. USAID/Eritrea will build on the successes of the current linkage activities under this strategy and will continue to provide targeted technical assistance, training, and resource procurement to selected departments and centers within UoA.

After significant delays, the demobilization and reintegration process is moving forward. Approximately 70,000 soldiers are scheduled to be demobilized by June 2003 and approximately 200,000 over the next two years. USAID/Eritrea, in close coordination with the World Bank and UNDP, has been providing training and technical assistance to build the capacity of the NCDRP to demobilize and reintegrate the soldiers. USAID/Eritrea will build on the success of this effort by providing vocational training to demobilized soldiers, with a particular focus on increasing economic opportunities for demobilized women.

Illustrative Activities:

- Basic education support in underserved regions
- Technical assistance, training, and procurement for selected university departments/centers
- Vocational training for demobilized soldiers

Key Indicators:

- Increase in number of students accessing basic education in underserved regions
- Selected UoA departments better resourced to expand learning opportunities
- Number of demobilized soldiers receiving vocational training
- Number of gender-related activities undertaken

2. IR 6.2: CBO/Local Administration Partnerships Strengthened

This IR proposes to provide skills and resources to both CBOs and local administrators to jointly work together toward local development. To ensure this joint partnership, capacity of nascent CBOs will be built in order for them to be fully engaged in the development process with local administration counterparts.

The GSE policy on decentralization is in the process of being formalized. To facilitate implementation at the local administration level, some illustrative activities that USAID/Eritrea could support are: skills training on financial management and budget planning, accounting, and targeted technical assistance to incorporate participatory planning practices into local administration planning and implementation processes. To help implement some of the skills learned, USAID/Eritrea will make available a small grants program to support jointly managed local government-CBO projects. USAID/Eritrea anticipates that public-private alliances between international PVOs and local NGOs, other donor agencies and possibly universities will be developed to implement activities under this IR. For example, UNDP is implementing a pilot activity that provides training and skill building to a local administration to improve resource management and to introduce participatory planning practices. USAID will apply lessons-learned from this project in the implementation of activities under this IR.

In addition, where appropriate, this IR will support complementary activities to establish and/or strengthen CBOs in the selected communities. Similar activities are being implemented by international PVOs, including Catholic Relief Services, CARE International, OXFAM, Acord, and local NGOs including Vision Eritrea, Haben, and the Eritrean Red Cross/Red Crescent Society. These activities are addressing community needs by providing training, technical assistance, and limited resources to CBOs including parent and teacher associations, farmers' groups, health services organizations, and village savings and loan programs.

USAID/Eritrea will improve the capacity of CBOs by providing training and technical assistance in areas such as planning methodologies, general management, financial management, and performance monitoring and evaluation. USAID/Eritrea will utilize institutional capacity building tools such as OCAT to measure CBO capacity. USAID/Eritrea will build on the success and lessons-learned from the experience of international PVOs and local NGOs and other GSE initiatives in community participation. For example, careful consideration will be given to the selection of communities and only those with supportive leadership at the local-level will be targeted. In addition, activities will be small in scale and scope, focused around a discrete, community-identified need, and where appropriate, training and technical assistance will be accompanied by the provision of targeted resources, potentially in the form of limited commodities or grants to ensure successful implementation and sustainability of the CBOs. USAID/Eritrea will also capitalize on opportunities to "team" international PVOs with local NGOs to help build the capacity of local NGOs.

Illustrative Activities:

- Grants for Joint CBO/local administration projects
- Train and provide technical assistance to local administrators and CBO leaders in financial planning, budgeting, management, crisis prevention and mitigation, and participatory development practices

Key Indicators:

- Number of joint CBO/local administration projects undertaken
- Number of local administrations/CBO members trained
- Number of CBOs strengthened

3. IR 6.3: Community Access to Information Enhanced

This IR proposes to enhance community access to information through technical assistance and training in the ICT sector and the establishment of pilot rural telecenters.

Eritrea's information and communications infrastructure is underdeveloped. For example, there are approximately 40,000 telephone landlines for a population of 3.5 million and some of the existing infrastructure dates back to the colonial period. Eritrea does not have a cellular phone network. In addition, Eritrea was one of the last countries in sub-Sahara Africa to introduce the Internet. However, once the GSE made the decision, USAID/Eritrea, through the Leland Initiative, provided support for connecting Eritrea to the Internet gateway in November 2000. Connectivity is currently operational in Asmara and in four secondary cities and Internet cafés are rapidly increasing in number. This has enhanced community access to information. Several Eritrean web sites are actively used for debate and networking by various interest groups.

Under this SO, USAID will provide technical assistance and training, within the GSE-World Bank framework to support ICT development, including privatization of the Telecommunications Service of Eritrea (TSE); identifying options for improving the telephone system, including build-out of a cellular network; and telecom legal and regulatory support.

A second component of the IR will establish pilot rural telecenters (phone, fax, Internet) in four communities. In the absence of landline and cellular telephones, the majority of rural communities lack even basic communications infrastructure. For example, one of the potential sites for this pilot initiative has one telephone for 40,000 people. As a result, local business owners must travel a full day by bicycle to obtain market information in the region's main market and people wait in line for hours to use the phone to talk to relatives in different regions of Eritrea. Therefore, USAID will establish rural telecenters to meet the business and other information needs of the local populations in these four pilot communities. To maximize resources and to complement activities under IRs 6.1 and 6.2, USAID/Eritrea will provide small grants whereby a local institution (CBOs, womens groups, parent-teacher associations, etc.) could open and operate the telecenters. There is extensive material and experience within USAID's Office of Information and Resource Management to identify projects that would be appropriate for the Eritrean setting.

A third element of this IR will be capacity building to strengthen and expand ICT skills to address the shortage of highly-skilled ICT professionals in the country. This support could be provided through private and/or public sector ICT training institutes or through universities.

Illustrative Activities:

- Technical assistance for ICT development
- Establish rural telecenters in selected communities
- Training for ICT skills development

Key Indicators:

- ICT regulatory environment improved
- Number of rural telecenters established
- Number of trained ICT professional

E. Monitoring SO 6 Achievement

USAID/Eritrea will use various approaches for monitoring SO 6 results. USAID/Eritrea will report major program results to USAID/Washington via the Annual Report (AR) and to the U.S. Embassy for inclusion in the Mission's Performance Plan.

The SO 6 Team will work closely with implementing partners (contractors/grantees, international and/or local NGOs) to build their performance-management capacity. The SO 6 Team and implementing partners will develop a performance-monitoring plan for USAID/Eritrea review and approval. Given that this is a new SO, USAID/Eritrea expects to work with partner organizations, the GSE, and other donors to develop and refine indicators, address quality issues and identify limitations, to measure performance of this SO. Once fully developed and refined indicators are identified, results data for the indicators will form the basis of measuring implementation progress and for validating SO 6's strategic assumptions. The result data defined in the AR and PMP documents will be collected by implementing partner organizations on a semi-annual basis. In addition, these partners will be required to prepare detailed annual work plans, which will include implementation benchmarks and activity-level as well as appropriate, IR and SO-level indicators. The SO 6 team will discuss and approve these work plans. The contractor/grantees will use these as the basis for preparing quarterly and annual reports. These reports will provide a mechanism for discussions on implementation progress.

Periodic program implementation reviews will be used during the year to monitor progress and to identify constraints and other issues impeding implementation. Also, frequent visits of USAID/Eritrea staff and training and technical assistance personnel to field sites will be used on a more routine basis to stay informed. In addition, regular meetings will be held with beneficiaries, including international and local NGOs, local administrators, and GSE staff to assess progress and adjust components of activities accordingly.

F. Instruments

To provide the needed expertise to implement the program, USAID/Eritrea expects to use grants and/or cooperative agreements under IRs 6.1 and 6.2 to implement training, technical assistance, and resource provision activities. USAID/Eritrea will explore different options including USAID buy-in mechanisms for supporting the development of ICT in Eritrea (IR 6.3) and expects to use international and local NGOs to implement information dissemination activities.

G. Contextual Assumptions

USAID/Eritrea assumes that GSE policy on decentralization, local government and citizen participation will be conducive to USAID's involvement in this area. This includes changes in the interpretation and application of legislation governing participation (including associations, NGOs, etc.) and a greater commitment to decentralization efforts. In addition, USAID/Eritrea assumes that the World Bank will continue its effort in the education sector. USAID/Eritrea also assumes that the peace will hold and demobilization will continue. Demobilization is important not only in terms of returning critical personnel to GSE institutions, but also to reduce the serious

labor shortages in the country. Another assumption is that the GSE will allow USAID to use international PVOs and local NGOs as necessary and appropriate to build capacity of CBOs and local administrations. USAID/Eritrea also assumes that the GSE will move forward with plans to privatize the telecommunications service and liberalize the telecommunications legal and regulatory environment.

H. Linkages

1. Linkages within SO

There are strong linkages between the three IRs proposed under this SO that together contribute to enhanced participation in growth and development. IR 6.1 will improve the quality of and equitable access to basic education and improve the quality of instruction and expand resources at the UoA. These interventions will develop human and institutional resources, which will allow citizens to more effectively participate in growth and development. In addition, IR 6.1 will provide vocational skills training to demobilized soldiers to ensure that they will be able to economically reintegrate and participate in community growth and development. IR 6.2 will complement activities proposed under IR 6.1 by improving the local administrations' ability to work with CBO towards community goals. This will be done by providing skills training and technical assistance to local administrators in close coordination with other donor efforts in targeted regions. IR 6.3 will focus efforts on expanding information technologies throughout the country and, therefore, expand access to information to citizens and local administrations to more effectively and efficiently address community needs.

2. Linkages between SOs and within Mission Strategy

The lives of the Eritrea people will improve, as they acquire the resources and capacity to participate in the growth and development the country. SO 6 has linkages with other SOs and the USAID/Eritrea's goals through support of several cross-cutting themes:

Gender: The GSE has created a legal framework that promotes gender equity. Current laws prohibit limits on women's participation in all facets of society and the economy. However, gender disparities continue to be widespread: in opportunities for work, salary rates, education levels and the ability to participate in political and economic settings. Under this SO, particular attention will be paid to removing the challenges to women's participation and ensuring that women not only participate but also assume leadership roles in community development.

HIV/AIDS: USAID/Eritrea will seek to integrate HIV/AIDS-related activities under this SO to the extent that community based organizations, in coordination with SO 4, will be involved as venues for increasing awareness about HIV/AIDS prevention.

Linking Relief and Development: Under this SO, USAID/Eritrea will seek to link relief and development at the local level by building the capacity of individuals and institutions to address growth and development needs.

3. Conformity with Donor and GSE Programs

The GSE's long-term vision is to become a self-reliant, *prosperous, peaceful, democratic and knowledge-based* nation. The GSE strategies for greater citizen participation in this effort is stated in the constitution and in the legislation including sections of the Transitional Civil Code of Eritrea and proclamations dealing with the formation of associations, decentralization, and NGOs.

The GSE has made progress in enhancing the role of citizens in decision-making at the local, regional, and national level. Much remains to be done on the policy and implementation frameworks for the role of CBOs. SO 6 will contribute to the GSE's progress in this area by supporting activities to improve such participation, through, for example, community based organizations; fostering and strengthening partnerships between CBO and local administrations; and improving access to information among citizens.

The World Bank is developing a $45 million education sector credit, which will focus on school construction, teacher training, curriculum development, and equitable access to basic education. The World Bank is also financing the Eritrean Community Development Fund, which supports rural development activities including rehabilitation of small-scale infrastructure and a micro-finance program. UNDP provides support to decentralization through the Public Sector Management Program. The UNDP through UNCDF is providing assistance to improve planning, finance and implementation arrangements of the local administration in Anseba Region. In addition, the World Bank is providing support to the GSE's master plan for ICT development in Eritrea.

I. Beneficiaries, Development Impact and Sustainability

The direct beneficiaries of IR 6.1 will be primary school students, particularly girls; university students and professors; demobilized soldiers; and targeted training providers. By improving the ability of CBOs and local administrations to address community needs, the principal beneficiaries under IR 6.2 will be all Eritreans living in the pilot regions regardless of ethnicity, class, age, and religion. Under IR 6.3, the beneficiaries of USAID's support to enhance access to ICT will be citizens living in the pilot communities, CBO, and local government administrations.